

City of Muscatine, Iowa



Annual Comprehensive Financial Report

For the Year Ended June 30, 2021

CITY OF MUSCATINE, IOWA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

SUBMITTED BY:

FINANCE DEPARTMENT
CITY OF MUSCATINE, IOWA

Nancy A. Lueck
Finance Director

LeAnna McCullough
Accounting Supervisor

COVER:

Muscatine Mini-Pitch Multi-Use Facility

Musco Lighting donated their Mini-Pitch modular system to the City in the Fall of 2020. The facility includes lighting, fencing, goals, and benches. The City flag center logo was added in the fall of 2021 to complete this project.

CITY OF MUSCATINE, IOWA

Comprehensive Annual Financial Report For the Year Ended June 30, 2021

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City Hall, 215 Sycamore St.
Muscatine, IA 52761-3899
(563) 264-1550
Fax (563) 264-0750

FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 11, 2021

Iowa law requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Muscatine for the fiscal year ended June 30, 2021.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Bohnsack & Frommelt LLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Muscatine’s financial statements for the year ended June 30, 2021. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the compliance section of this report.

Profile of the Government

The City of Muscatine was incorporated in 1851 by a special act of the Iowa State Legislature and is located on the Mississippi River, which is the eastern boundary of the state of Iowa. The City is located 160 miles east of Des Moines, 200 miles west of Chicago, and is the county seat of Muscatine County. The City occupies a land area of approximately 18.5 square miles and serves a population of 23,797 (2020 Census population). The City is empowered to levy a tax on all property located within its boundaries.

The City operates under the mayor-council form of government and has a City Administrator. Policy-making and legislative authority are vested in a mayor and seven council members. The city council is

**"I remember Muscatine for its sunsets. I have never seen any
on either side of the ocean that equaled them" — Mark Twain**

responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing board, commission, and committee members, and hiring both the City Administrator and the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms and the mayor is elected to serve a two-year term. Five of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides a full range of services including police and fire protection; roadway maintenance; water pollution control; solid waste management; recreational and cultural activities and facilities; and a general aviation airport.

The City Council is required to hold two public hearings on and adopt a budget for each fiscal year no later than March 31 of the preceding year. The first public hearing is on the maximum property tax rate for certain tax levies. The final public hearing is on the final proposed tax rate and total revenues and appropriations. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function, fund, and department. The legal level of control is at the function level. The budget may be amended by resolution of City Council following a required public hearing.

The City's government-wide financial statements for 2020/2021 include two discretely presented component units. These component units are those entities for which the City is considered to be financially accountable. These entities are the Muscatine County Solid Waste Management Agency (Agency) and Muscatine Power and Water (MP&W). The Agency is comprised of eight governmental entities in Muscatine County and based on the City of Muscatine population, the City accounts for 56% of the board's voting authority. The City Council also approves the Agency's budget, sets its rates, and approves any debt issuance. MP&W is a municipal utility which provides water, electric, and communications services within the City of Muscatine and in other areas within Muscatine County. MP&W's governing board is appointed by the City Council. MP&W provides a financial benefit by providing electricity for City buildings and all street and traffic lighting free of charge to the City. These entities are reported in separate columns in the government-wide statements to emphasize that they are legally separate from the City.

Local Economy

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include Kraft-Heinz, food processing; Bridgestone-Bandag, makers of pre-cured tire tread rubber; Bayer (formerly Monsanto Company), herbicides and plastics; Raymond-Muscatine, front-end loaders, etc.; Grain Processing Corporation/Kent Feeds, corn distillates and feed; Stanley Consultants Inc., consulting engineers and architects; and Musco Sports Lighting LLC, sports lighting systems. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten calendar years ranged from 2.7% to 6.7% with the rate for 2020 at 6.0%. The unemployment rate for 2020 was impacted by the COVID-19 pandemic. Prior to 2020, the rates were 2.9% in 2019, 2.7% in 2018, 3.3% in 2017, and 3.8% in 2016.

While the City normally reports only annual unemployment rates, the COVID-19 pandemic impacted the Muscatine County monthly unemployment rates beginning in April of 2020. In mid-March of 2020, the Governor of Iowa ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed to the public in an effort to reduce the spread of the coronavirus. Muscatine County's unemployment rate increased to 11.8% in April of 2020 and was 11.5% in May. Businesses began re-opening in June, with some restrictions, and the unemployment

rate for June decreased to 8.4%. The monthly unemployment rates for July through December of 2020 decreased to 6.2%, 5.2%, 4.6%, 3.9%, 4.4%, and 4.9%, respectively. The monthly unemployment rates for January through June of 2021 were 6.2%, 5.9%, 5.0%, 4.7%, 4.5%, and 4.9%, respectively. The unemployment rate for July of 2021 decreased to 4.2%.

Muscatine Power and Water (MP&W), is the City of Muscatine's municipal light, water, and communications utility. The MP&W communications division recently completed a 100% fiber optic network and Muscatine is now among the elite cities with gigabit connectivity to every address. The City's Water Pollution Control Plant has undergone renovation over the years and currently has the capacity to triple the volume of wastewater it treats with only marginal increases in operating expenses. The City operates a general aviation airport and has excellent railroad service provided by the Canadian Pacific Railroad.

All of these elements provide an excellent atmosphere for continued economic stability and growth.

Long-term Financial Planning

On May 10, 1994, the citizens of Muscatine first voted to implement a 1% local option sales tax for the purpose of funding storm and sanitary sewer renovation and extension projects. The tax was imposed effective July 1, 1994, for a five-year period. Voters approved continuation of the local option sales tax for two subsequent 5-year periods through June 30, 2009. This tax was used primarily for storm and sanitary sewer projects with the exception of 10% that was allocated to the Pearl of the Mississippi project from May 1, 2003 through June 30, 2009.

In 2008 the City held an election for the continuation of this tax and it again received strong support by voters. The ballot question approved extending this tax for an additional ten years (through June 30, 2019) with up to 20% of the proceeds to be used for the City's Pavement Management Program with the remaining 80% to be used for storm and sanitary sewer improvement projects. Future sewer projects have been identified including those required by an Order for Compliance on Consent issued by the United States Environmental Protection Agency (E.P.A.). Provisions of the Order required the City to complete separation of the combined sewers in the Hershey Avenue area by December 31, 2011, and separation of the remaining combined portions of the sewer system including the West Hill area by December 31, 2028. The Hershey Avenue Sewer Separation project was completed in 2011/2012. The first phase of the West Hill Sewer Separation project was completed in the fall of 2013 and the second phase was completed in the fall of 2014. The phase 3 contract provided that this work be done over three calendar years (2015, 2016, and 2017) and this phase was substantially completed in 2017. This timing corresponded to the timing of the local option sales tax receipts that funded this project. The phase 4 contract also provided that the work be done over three calendar years (2018, 2019, and 2020) and this phase was substantially completed in 2020. The phase 5 contract provides that this work be done over two years. Construction on Phase 5 began in the spring of 2021 and is scheduled to be completed by the end of the 2022 calendar year.

The previous 10-year local option sales tax period was scheduled to end on June 30, 2019 and a referendum was held on March 6, 2018 on the proposal to extend this tax for an additional 15 years (through June 30, 2034) to fund future sewer (80%) and street (20%) improvement projects. The extension of this tax was again approved by voters with 88% voting in favor of the extension. The 80% allocation of the local option sales tax for sewer improvements will fund project costs and anticipated debt service costs for the remaining phases of the West Hill Sewer Separation project mandated by the Consent Order. The 1% local option sales tax generated over \$3.6 million in the most recent year.

The City began a comprehensive Pavement Management Program in 2007. Allocations totaling over \$5 million funded the initial upgrade of streets throughout the City. These improvements were substantially completed by June 30, 2010. The initial costs of this program were funded with general obligation bond proceeds. Annual allocations to maintain all streets at this higher level began in 2010/2011 with funding from the 20% allocation of local option sales tax and road use tax funds. The 20% allocation of local option taxes was \$738,879 in 2020/2021. In 2020/2021, a total of \$1,145,275 was expended for pavement management projects with \$738,879 funded from local option sales tax and \$406,396 funded from road use tax funds.

Engineering design began in July of 2015 and was completed in early 2017 on the first phase of the reconstruction of the Mississippi Drive/Grandview Avenue corridor from the Mississippi River bridge to the intersection of Grandview Avenue and the Highway 61 Bypass. This corridor is a portion of the Highway 61 business route which runs through the downtown area of the City. Project construction began in May of 2017 and was substantially completed in the fall of 2018 on phase one of the project from the Mississippi River bridge to Broadway, excluding the intersection at Mulberry Avenue. Phase one of this project was funded with a portion of the \$13 million in Transfer of Jurisdiction funds the City received from the State in August of 2014 as well as a \$4 million contribution from the Canadian Pacific Railroad. The next phase of the project, the 2nd Street and Mulberry Avenue roundabout, was completed in the 2020/2021 fiscal year. Construction began in 2020/2021 on the Grandview Avenue phase of the project, which is the final phase of the Corridor project. The Grandview Avenue reconstruction is scheduled to continue in 2021/2022 and to be completed by the winter of 2022/2023.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. An update to the Airport Layout Plan was completed in 2018/2019 that identifies future year improvements for the airport. In the current year, construction was completed on three new hangars and the related apron expansion. This project was partially funded from a State grant with the local share funded from the May 2020 bond issue. Engineering design was completed in 2019/2020 for the reconstruction of Taxiway A and construction began in fiscal year 2020/2021. Federal Aviation Administration (FAA) funding was originally set at 90% of project costs. After the original project budget was adopted, the City received notification that the 10% local share would be waived due to increased FAA funding related to the COVID-19 pandemic. The Taxiway A project is scheduled to be completed by the end of calendar year 2021.

In recent years, the City has made operational changes to address funding limitations to the General Fund. A key issue in the development of the 2010/2011 budget was the consideration of and ultimate adoption of a Utility Franchise Fee on Alliant Energy, the provider of natural gas to the community. The ordinance change adopting this fee provides that the fee may be up to 5% on natural gas sales by Alliant in the community. The initial rate was set at 2%, which was effective July 1, 2010. Implementation of this fee allowed for a reduction in the City's property tax rate for 2010/2011 and future years. The establishment of this fee also allowed the City to diversify funding sources used for the provision of General Fund services. With this franchise fee in place for up to 5% of gas sales, this has allowed flexibility for the City Council to modify this rate if needed to continue to provide expected levels of City services to residents. This rate can be modified by giving a 90-day notice to Alliant Energy. For the 2012/2013 fiscal year City Council chose to reduce the Utility Franchise Fee rate to 1% which generated \$103,931 in 2012/2013, \$113,660 in 2013/2014, \$96,810 in 2014/2015, \$81,308 in 2015/2016, \$81,399 in 2016/2017, and \$102,859 in 2017/2018. The rate reduction was possible since there had been increased revenues in other areas of the General Fund budget.

The original 2018/2019 budget included an increase in the utility franchise fee rate from 1% to 5% effective July 1, 2018. This increase was budgeted due to the loss of revenue from the automated traffic enforcement (ATE) camera at the University Avenue and Highway 61 intersection, which was ordered to be shut down

by the Iowa Department of Transportation (IDOT) in April of 2017. This franchise fee increase was expected to generate \$325,600 in additional revenues, which was the approximate amount of the loss in revenue from the ATE camera at this intersection. After the City adopted the ordinance in March of 2018 to increase the utility franchise fee rate to 5% effective July 1, 2018, the City was notified that its appeal of the IDOT order for removal of the camera at this intersection was successful and the camera was reactivated on June 18, 2018. The City Council subsequently adopted an ordinance in June of 2018 reducing the utility franchise fee rate back to 2% effective September 1, 2018. At the 2% rate for the 2018/2019 fiscal year, the utility franchise fee generated \$220,448.

The 2019/2020 budget included an increase in the Utility Franchise Fee from 2% to the maximum rate allowed of 5%. This increase was implemented in order for the City to maintain its current level of services and to provide necessary capital equipment to departments. The additional 3% on the franchise fee was necessary in order to (1) fund increased Information Technology (IT) capital outlay and operating costs to reduce the risks of a future ransomware or similar attack, (2) capital outlay for the police department including replacing the previous squad car video system with a system that included body-worn cameras, and (3) the expected reduction in revenue from ATE fines.

For the 2020/2021 budget, the Utility Franchise Fee remained at 5%. This allowed for the property tax rate to remain unchanged and allowed for the addition of three new firefighter positions and a new Human Resources Generalist in the original 2020/2021 budget. Due to reductions in other General Fund revenues due to the COVID-19 pandemic, hiring of those four new positions was put on hold.

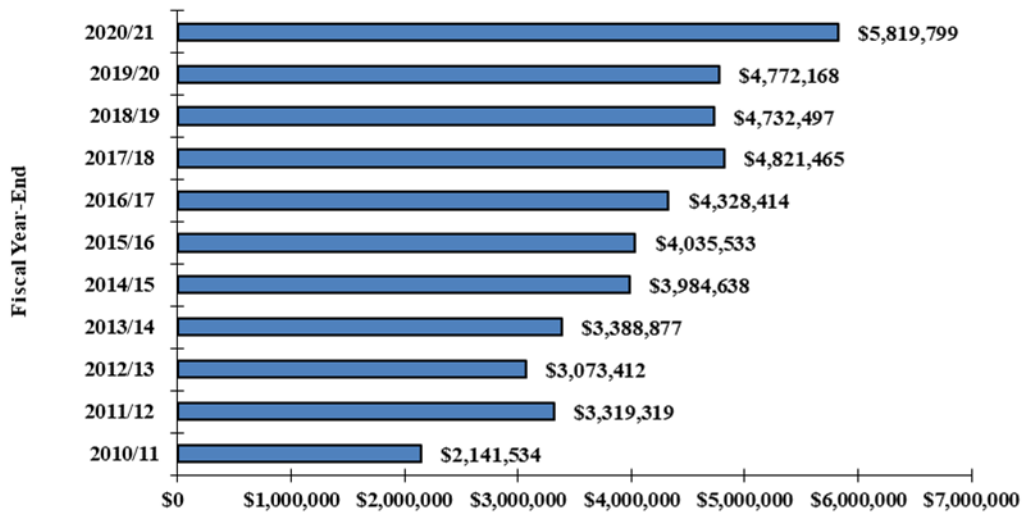
For the 2021/2022 budget, the Utility Franchise Fee remained at 5% which will assist in maintaining the current service levels to residents while revenue reductions due to the COVID-19 pandemic continue. At the end of the budget discussions for 2021/2022, City Council members indicated that they would like to reduce the utility franchise fee rate in future year budgets.

Relevant Financial Policies and State Legislation

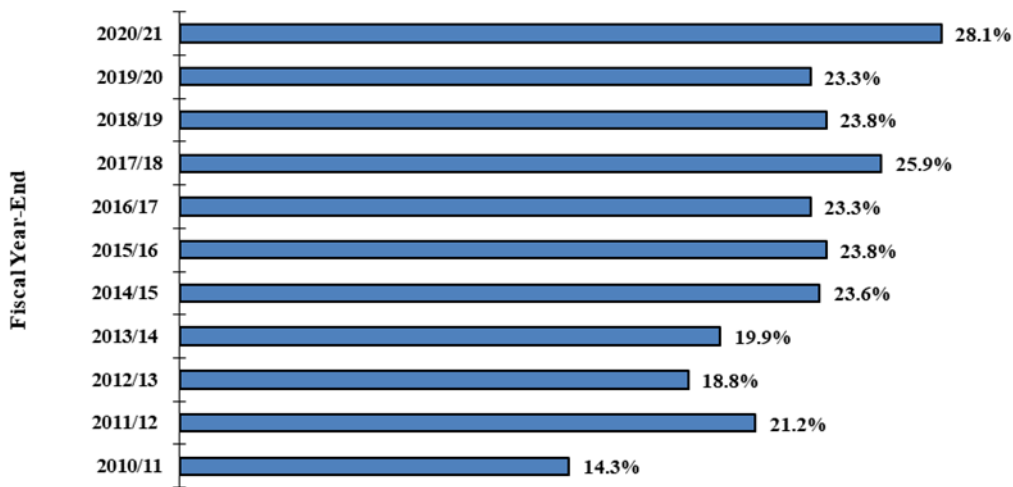
In November of 2013 the City's minimum General Fund balance policy was updated from the previous 10% of General Fund expenditures level to two months of General Fund expenditures, which is equivalent to 16.7%. The updated policy also addresses conditions for use of reserves, authority over reserves, and replenishment of reserves. The City Council has made efforts in recent years to incrementally increase the General Fund balance and the updated policy reflects the City Council's formal commitment to this goal.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2010/2011. This Statement provided for the following classifications of governmental fund balances: nonspendable, restricted, committed, assigned, and unassigned. The following charts show eleven-year histories of unassigned General Fund balances.

Unassigned General Fund Fund Balance History



Unassigned General Fund Balances as a Percent of Expenditures



The unassigned General Fund balance at June 30, 2011 was \$2,141,534, which was 14.3% of General Fund expenditures. Since that year the unassigned General Fund balance has increased as shown in the above graphs. The unassigned General Fund balance on June 30, 2019 decreased by \$88,968 to \$4,732,497 (23.8% of General Fund expenditures). This decrease was due to the increase of \$141,303 in prepaid items, which is included in the nonspendable portion of the General Fund balance. The unassigned General Fund balance on June 30, 2020 increased by \$39,671 to \$4,772,168, which was 23.3% of General Fund expenditures.

For June 30, 2021 the unassigned General Fund balance increased by \$1,047,631 to \$5,819,799 which was 28.1% of General Fund expenditures. In response to the COVID-19 pandemic, the City Council took a number of actions to reduce the impact of projected revenue reductions on the General Fund balance. Two of the most significant were to defer the hiring of four new fulltime positions added in the original

2020/2021 budget and not opening the Aquatic Center in the summer of 2020. While significant reductions in several revenue sources were projected (hotel/motel taxes, construction permits, interest, etc.), the actual reductions in most revenues were less than projected. The City also received CARES (Coronavirus Aid, Relief, and Economic Security) Act funding which assisted in maintaining General Fund services. The CARES Act funding included \$561,628 in COVID Relief funds from the State of Iowa, which is included in the General Fund balance. A portion of these funds (\$300,000) is budgeted to be used to balance the fiscal year 2021/2022 budget. The recent General Fund ending balances have all exceeded the 16.7% minimum fund balance requirement in the updated policy. Having the strong General Fund balance in place assisted the City in addressing the impacts of the pandemic while continuing to provide the current level of services to our residents.

In 2013 State legislation for property tax reform implemented a 10% rollback at 5% per year over two years (2014/2015 and 2015/2016), on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation included some backfill funding for local governments. There was no further change to the rollback factor on commercial, industrial, or railroad valuations for the 2016/2017 through 2021/2022 budgets. This legislation also created a new “multi-residential” property class which will be rolled back to residential levels by January 1, 2022, without backfill to local governments. This is being phased in beginning in the 2016/2017 fiscal year. The rollback factor for these properties was 86.25% in 2016/2017, 82.50% for 2017/2018, 78.75% for 2018/2019, 75.00% for 2019/2020, 71.25% for 2020/2021, and will be 67.50% for 2021/2022. The rollback will decrease by an additional 3.75% to 63.75% for 2022/2023. Beginning in 2023/2024, the rollback will be equivalent to the residential rollback in place at that time.

In the 2021 legislative session, Senate File 619 was enacted which will phase out the backfill funding for the commercial, industrial, and railroad property rollback included in the 2013 property tax reform legislation discussed above. The City of Muscatine’s base backfill amount totals \$610,325. Based on the City’s 18.68% increase in taxable valuation between fiscal years 2013/2014 and 2020/2021, the City qualifies for the 8-year phase-out of the backfill reimbursement. This calculates to a 12.5% annual reduction in the reimbursement beginning in fiscal year 2022/2023. This will not have an impact on the upcoming 2021/2022 fiscal year budget. The estimated backfill for 2022/2023 will decrease to \$534,034, then to \$457,744, to \$381,453, to \$305,162, to \$228,872, to \$152,581, and to \$76,291, for the following six years. The backfill funding will be fully eliminated beginning in the 2029/2030 budget year.

As noted in the previous section, beginning in 2010/2011 the City implemented a 2% utility franchise fee on the provider of natural gas services in the community. This fee was decreased to 1% for 2012/2013 and the 1% rate was maintained through 2017/2018. While the original budget for 2018/2019 provided for this rate to increase to 5%, the rate was subsequently set at 2%. The availability of this revenue source assists in continuing to fund the City’s core General Fund services to the community. The 2019/2020 budget included an increase in the Utility Franchise Fee from 2% to the maximum rate allowed of 5%. This increase was implemented in order for the City to maintain its current level of services and provide the necessary capital equipment to departments. The additional 3% on the franchise fee was implemented in order to (1) fund increased Information Technology (IT) capital outlay and operating costs to reduce the risks of a future ransomware or similar attack, (2) capital outlay for the police department including replacing the previous squad car video system with a system that included body-worn cameras, and (3) the expected reduction in revenue from ATE fines. For the 2020/2021 budget, the Utility Franchise Fee remained at 5%. This allowed for the property tax rate to remain unchanged and allowed for the addition of three new firefighter positions and a new Human Resources Generalist in the original 2020/2021 budget. Due to reductions in other General Fund revenues due to the COVID-19 pandemic, hiring of those four new positions was put on hold.

For the 2021/2022 budget, the Utility Franchise Fee remained at 5% which will assist in maintaining the current service levels to residents while revenue reductions due to the COVID-19 pandemic continue. The franchise fee may be increased (5% maximum) or decreased by City Council action with a 90-day notice to the utility.

The City continues to claim less than the full amount of incremental taxes available from the Downtown and Southend Tax Increment Financing (TIF) areas. As growth in valuations in these areas has exceeded original projections, balances have been accumulating in these funds in advance of the debt schedules in effect. Not claiming the full amount allows a portion of the increased values in each area to go back onto regular taxable valuations of all taxing entities affected. Approximately \$664,200 of incremental taxes were not claimed by the City for 2020/2021 and this amount is estimated at \$720,700 for 2021/2022. This results in increased regular taxable values and increased taxes generated by the \$8.10 General Fund levy.

Major Initiatives

The City continues to strive to make significant capital improvements to the City's infrastructure and facilities. Major budget initiatives for 2021/2022 include (1) continuing the construction of the Grandview Avenue portion of the Mississippi Drive Corridor project, (2) continuing the construction on phase 5 of the multi-year, multi-phase West Hill Sewer Separation project, (3) completing the construction of the downtown streetscaping project, (4) continuing the annual pavement management and new sidewalk construction projects, and (5) completing the reconstruction of Taxiway A at the airport.

Impacts of the COVID-19 Pandemic

Background

In mid-March of 2020 the Governor ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed in an effort to reduce the spread of the coronavirus.

The City Council met several times in May and June of 2020 to discuss the projected impacts of the pandemic on the City's revenues and services. Revenues initially projected to be impacted included hotel/motel taxes, construction permits, Park department program and facility usage fees, parking fees, Road Use Taxes, and Local Option Taxes.

City Council was proactive in addressing these potential revenue shortfalls and took action to address the shortfalls while maintaining essential City services. Council's initial actions included deferring the hiring of four new positions added in the original 2020/2021 budget, deferring the Pavement Management Program, and providing for additional review prior to making capital outlay purchases and filling vacant positions.

Updated Impacts

As the 2020/2021 fiscal year progressed, it was found that Road Use Tax and Local Option Sales Tax revenues were not impacted to the extent originally projected. The \$1 million in Pavement Management Projects that were deferred in calendar year 2020 were scheduled to be completed in the spring of 2021.

The City's Aquatic Center did not open for the 2020 season which resulted in reduced expenditures (the facility re-opened in 2021). Due to the Governor's proclamations, several Park facilities were delayed in

opening in 2020, but were opened as allowed (Soccer Complex, Kent-Stein Park, etc.). The 2021/2022 budget was based on all facilities being open and available to the public for the full fiscal year.

In October of 2020, the City received \$561,628 in COVID-19 Local Government Relief funds from the State.

Actual Results in Fiscal Year 2020/2021

Hotel/Motel taxes were impacted by the pandemic, but not to the extent projected in the revised estimate/amended budget for 2020/2021. The original budget included \$500,000 from these taxes and the revised estimate was reduced to \$250,000 due to a projected reduction in business travel. The actual hotel/motel taxes were \$374,449, which was \$125,551 less than the original budget, but \$124,449 higher than the revised estimate.

Construction permits were impacted by the pandemic, but not to the extent projected in the revised estimate for 2020/2021. The original budget included \$310,000 from construction permit fees and the revised estimate was reduced to \$150,000. The actual permit fees were \$167,473, which was \$142,527 less than the original budget, but \$17,473 higher than the revised estimate.

Interest rates were significantly impacted by the pandemic and are currently at near-zero rates. The original General Fund budget included \$60,000 in interest income and the revised estimate/amended budget was reduced to \$20,000. Actual General Fund interest was \$13,261, which was \$46,739 less than the original budget, and \$6,739 less than the revised estimate.

Property tax collections in the General Fund were \$64,432 higher than the revised estimate/amended budget. This amount includes \$62,648 in collections of prior fiscal year delinquent taxes. (Counties extended the due date for the March 2020 taxes several times and there was no tax sale held in 2020.)

The 2020/2021 revised estimate revenues included using \$100,000 of the State COVID Relief funds in the 2020/2021 amended budget. Due to other revenues being higher than projected, these funds were not needed to meet the targeted ending balance in the General Fund.

Fiscal Year 2021/2022 Budget Items Related to the Pandemic

When the 2021/2022 budget was being prepared in January and February of 2021, City Council and staff were taking a conservative and cautious approach for estimating revenues. At that time COVID vaccinations were not yet available to most age groups, there were numerous individuals working from home, and businesses had not returned to more normal operations.

The 2021/2022 budget included adding back one of the three new firefighter positions that were originally added for the 2020/2021 budget but were deferred for hiring due to the pandemic. This position was added back effective April 1, 2021.

For 2021/2022 hotel/motel taxes were estimated at \$300,000 (down from the \$500,000 in the original 2020/2021 budget); construction permit fees were estimated at \$150,000 (down from the \$310,000 in the original 2020/2021 budget); and the 2021/2022 Budget was “balanced” by using \$300,000 of the State COVID Relief funds.

While there are positive financial results at fiscal year-end in 2020/2021, portions of the economy have not fully recovered, and there are still reasons for using caution going forward.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muscatine for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized annual comprehensive financial report. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2021/2022. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The award for the 2021/2022 budget was the 37th consecutive year that the City of Muscatine has received the GFOA's Award for Distinguished Budget Presentation. The GFOA's Distinguished Budget Presentation Award is good for a period of one year. The City of Muscatine plans to submit its budget document for the 2022/2023 fiscal year to the GFOA to again be considered for this award.

In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, we would like to express our appreciation to all members of this department for their assistance and contributions for this endeavor. Also appreciated is the continued interest and support by the members of the City Council and City departments in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Lastly, we would extend our appreciation to Bohnsack & Frommelt LLP, Certified Public Accountants, for their assistance and suggestions in regard to the preparation of the Annual Comprehensive Financial Report.

Respectfully submitted,

/s/ Carol Webb
City Administrator

/s/ Nancy A. Lueck
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

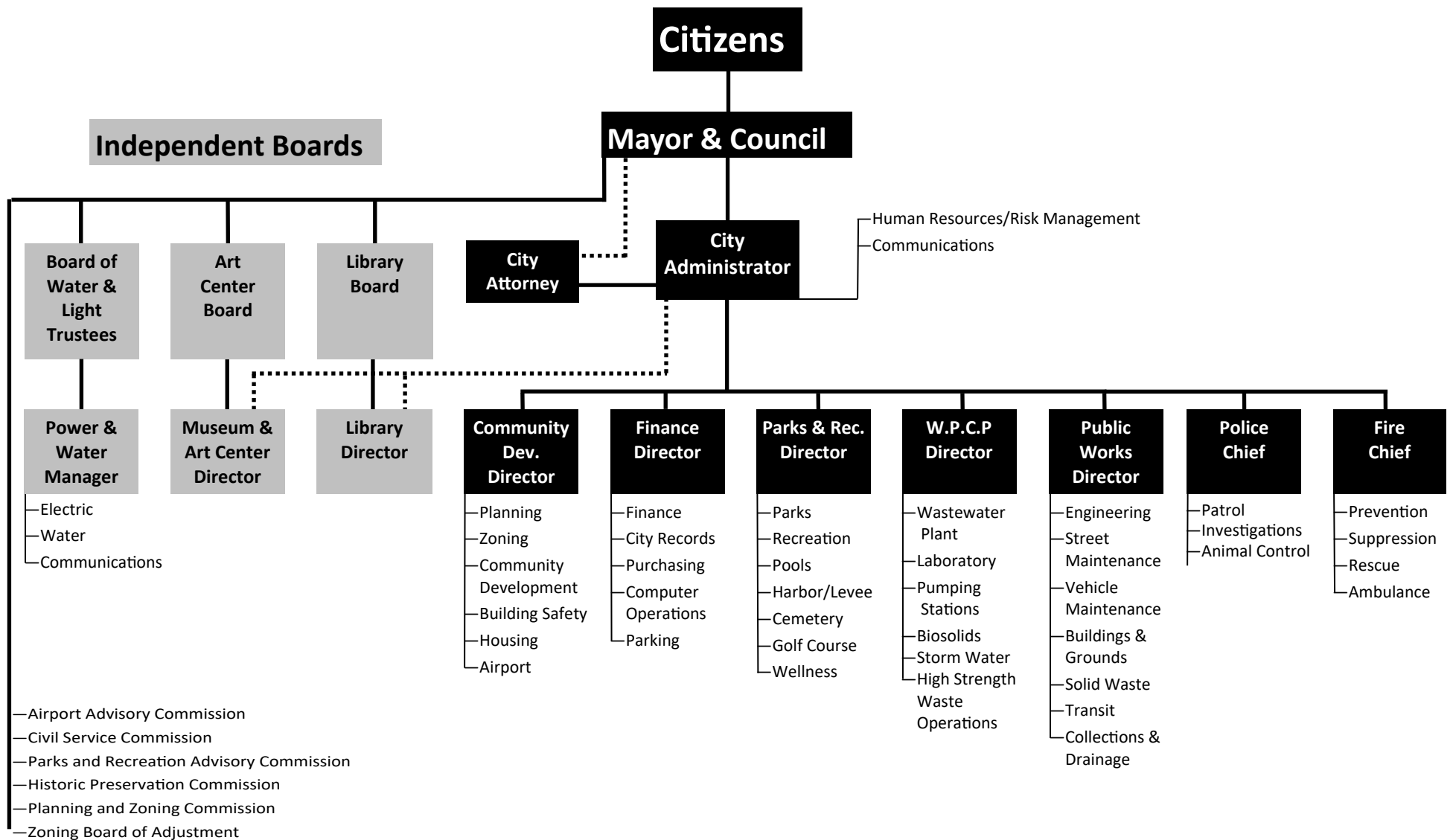
**City of Muscatine
Iowa**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO



City of Muscatine Organizational Structure

CITY OF MUSCATINE, IOWA

**List of Principal Officials
June 30, 2021**

Diana Broderson, Mayor

CITY COUNCIL

DeWayne Hopkins
At Large

Kelcey Brackett
At Large

Dennis Froelich
First Ward

Osmond Malcolm
Second Ward

Peggy Gordon
Third Ward

Nadine Brockert
Fourth Ward

John Jindrich
Fifth Ward

COUNCIL APPOINTED OFFICIALS

City Administrator
City Attorney

Carol Webb
Matt Brick

DEPARTMENT DIRECTORS

Art Center Director
Finance Director
Fire Chief
Library Director
Parks & Recreation Director
Community Development Director
Police Chief
Public Works Director
Water Pollution Control Director

Melanie Alexander
Nancy A. Lueck
Jerry Ewers
Pam Collins
Richard Klimes
Jodi Royal-Goodwin
Brett Talkington
Brian Stineman
Jon Koch



Independent Auditor's Report

To the Honorable Mayor
and Members of City Council
City of Muscatine, Iowa
Muscatine, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscatine Power & Water, which represent 91 percent, 92 percent, and 87 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units and remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power & Water, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Muscatine, Iowa, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the City's total OPEB liability and related ratios, schedule of changes in Muscatine Power & Water's net OPEB liability and related ratios, schedules of the City's proportionate share of the net pension liabilities for pension retirement systems, and schedules of the City's contributions for pension retirement systems, and Muscatine Power & Water schedule of changes in net pension liability and schedule of employer contributions, and schedules of the Muscatine Power & Water proportionate share of the net pension liabilities for pension retirement systems, and schedules of the Muscatine Power & Water's contributions for pension retirement systems on pages 20-35 and 96-118, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other information, including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the supplementary information of the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bohnsack & Frommelt LLP". The script is cursive and fluid.

Moline, Illinois
November 11, 2021

Management's Discussion and Analysis

As management of the City of Muscatine, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. This narrative is intended to supplement the letter of transmittal and the financial statements and should provide the reader with contextual information that will advance our goal of full disclosure.

Financial Highlights

- The assets and deferred outflows of resources of the City of Muscatine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$172,625,868 (net position). Of this amount, \$8,463,310 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,836,565 during the year. This overall increase includes a \$4,577,228 increase in the governmental activities and a \$3,259,337 increase in the business-type activities.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,057,188, a decrease of \$1,988,076 in comparison with the prior year. There were decreases of \$3,033,298 in the Other Street Improvements fund, \$33,627 in the Debt Service fund, and \$1,213,599 in Other Governmental funds. These decreases were more than offset by increases of \$1,131,668 in the General fund, \$9,132 in the Employee Benefits fund, \$753,229 in the Local Option Sales Tax fund, and \$398,419 in the Road Use Tax fund. Of the ending balance, approximately 7% (\$1,036,970) was nonspendable, 42% (\$6,719,826) was restricted, 15% (\$2,480,593) was assigned, and 36% (\$5,819,799) was unassigned. Restricted, committed, assigned, and unassigned funds are available for spending within the statutory guidelines pertaining to each fund at the City's discretion.
- At the end of the current fiscal year, the City's unassigned fund balance for the general fund was \$5,819,799, which was 28.1% of total general fund expenditures.
- The City's total debt decreased by \$3,457,999 (13.0%) during the current fiscal year. During the year, no new general obligation debt was issued and \$2,475,000 in general obligation debt was retired. No new tax increment revenue bonds were issued and \$150,000 was retired. Sewer revenue loans outstanding decreased by \$723,000 during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these four categories reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works, Health and Social Service, Culture and Recreation, Community and Economic Development, General Government, and Interest and Fees on Long-term Debt. The business-type activities of the City include Water Pollution Control, Transfer Station, Refuse Collection, Airport, Parking, Transit, Golf Course, Boat Harbor, Marina, Convention and Visitors Bureau, Ambulance, Soccer Events, and Public Housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities, Muscatine Power and Water and the Muscatine County Solid Waste Agency, for which the City of Muscatine is considered to be financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Muscatine Power and Water issues separate financial statements. The Solid Waste Agency does not issue separate financial statements.

The government-wide financial statements can be found on pages 36-37 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information is useful in evaluating the City's near-term financing requirements and is typically the basis that is used for developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has six major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, the Road Use Tax Fund, the Debt Service Fund, and the Other Street Improvements Fund. Information is presented separately in the governmental fund balance sheet and in the governmental

fund statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds are combined into a single aggregated presentation and are referenced under a single column as Other Governmental Funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 38-43 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. While both types of proprietary funds are run in a business-like manner, enterprise funds are included in business-type activities since they serve the entire community, while internal service funds are included in *governmental activities* since they predominantly benefit the City's governmental functions.

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has thirteen (13) enterprise funds. Four of the enterprise funds, the Water Pollution Control Fund, Transfer Station Fund, Refuse Collection Fund, and Airport Fund are considered major funds and are reported individually throughout the report. The other nine (9) non-major enterprise funds are grouped together for reporting purposes and listed under a single heading, Other Enterprise Funds. Detail information for each of the nine (9) non-major enterprise funds is provided in combining statements elsewhere in this report.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among the City's various functions. The City has four internal service funds: Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Individual fund data for the Internal Service Funds is provided in the form of combining statements in the latter section of this report.

The basic proprietary fund financial statements can be found on pages 44-48 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 50-97.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes (1) a budgetary comparison schedule on the aggregate basis for the City's budgeted governmental and proprietary funds, (2) the schedule of changes in the City's other post-employment benefits plan liability and related schedules, (3) the Muscatine Power & Water schedule of changes in the other post-employment benefits plan liability and related schedules, (4) the City's proportionate share of net pension liability and related pension contributions, (5) required supplementary information for Muscatine Power & Water's single-employer defined benefit pension plan, and (6) Muscatine Power & Water's proportionate share of net pension liability and related pension contributions.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$172,625,868 at the close of the fiscal year ended June 30, 2021.

By far the largest portion of the City's net position (91.6%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Muscatine's Net Position

| | <u>Governmental activities</u> | | <u>Business-type activities</u> | | <u>Total</u> | |
|-----------------------------------|--------------------------------|---------------|---------------------------------|---------------|----------------|----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Current and other assets | \$ 40,862,910 | \$ 39,082,378 | \$ 17,084,328 | \$ 14,908,399 | \$ 57,947,238 | \$ 53,990,777 |
| Capital assets | 88,532,120 | 85,768,036 | 90,942,415 | 90,118,758 | 179,474,535 | 175,886,794 |
| Total assets | 129,395,030 | 124,850,414 | 108,026,743 | 105,027,157 | 237,421,773 | 229,877,571 |
| Deferred outflows of resources | 5,569,552 | 4,353,550 | 823,703 | 779,929 | 6,393,255 | 5,133,479 |
| Long-term liabilities outstanding | 33,633,242 | 33,401,800 | 14,246,894 | 14,554,310 | 47,880,136 | 47,956,110 |
| Other liabilities | 2,959,975 | 2,150,351 | 2,108,227 | 1,771,304 | 5,068,202 | 3,921,655 |
| Total liabilities | 36,593,217 | 35,552,151 | 16,355,121 | 16,325,614 | 52,948,338 | 51,877,765 |
| Deferred inflows of resources | 18,042,249 | 17,899,925 | 198,573 | 444,057 | 18,240,822 | 18,343,982 |
| Net position: | | | | | | |
| Net investment in capital assets | 77,447,711 | 73,561,365 | 80,664,102 | 79,043,719 | 158,111,813 | 152,605,084 |
| Restricted | 5,922,058 | 4,802,845 | 128,687 | 126,916 | 6,050,745 | 4,929,761 |
| Unrestricted | (3,040,653) | (2,612,322) | 11,503,963 | 9,866,780 | 8,463,310 | 7,254,458 |
| Total net position | \$ 80,329,116 | \$ 75,751,888 | \$ 92,296,752 | \$ 89,037,415 | \$ 172,625,868 | \$ 164,789,303 |

A portion of the City's net position (3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$8,463,310) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole and the business-type activities.

Net investment in capital assets increased by \$5,506,729 during the year. Restricted net position increased by \$1,120,984. Unrestricted net position increased by \$1,208,852 during the year with the unrestricted net position of business-type activities increasing by \$1,637,183 and the unrestricted net position of governmental activities decreasing by \$428,331.

CITY OF MUSCATINE CHANGES IN NET POSITION

| | Governmental activities | | Business-type activities | | Total | |
|---|-------------------------|---------------|--------------------------|---------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,080,738 | \$ 2,784,405 | \$ 15,704,914 | \$ 15,386,404 | \$ 18,785,652 | \$ 18,170,809 |
| Operating grants, contributions and restricted interest | 6,287,586 | 5,971,139 | 1,570,900 | 1,484,888 | 7,858,486 | 7,456,027 |
| Capital grants and contributions | 4,325,984 | 1,135,003 | 2,053,828 | 704,054 | 6,379,812 | 1,839,057 |
| General revenues: | | | | | | |
| Property taxes | 16,783,749 | 16,638,396 | - | - | 16,783,749 | 16,638,396 |
| Utility taxes | 62,736 | 53,623 | - | - | 62,736 | 53,623 |
| Local option sales tax | 3,693,591 | 2,940,519 | - | - | 3,693,591 | 2,940,519 |
| Hotel/motel tax | 374,449 | 398,588 | - | - | 374,449 | 398,588 |
| Cable franchise tax | 132,287 | 143,166 | - | - | 132,287 | 143,166 |
| Utility franchise fees | 456,312 | 440,654 | - | - | 456,312 | 440,654 |
| Intergovernmental, not restricted to specific programs | 1,208,683 | 710,704 | - | - | 1,208,683 | 710,704 |
| Unrestricted investment earnings | 42,870 | 325,962 | 28,672 | 217,382 | 71,542 | 543,344 |
| Other | 162,644 | 4,580 | - | 24,750 | 162,644 | 29,330 |
| Total revenues | 36,611,629 | 31,546,739 | 19,358,314 | 17,817,478 | 55,969,943 | 49,364,217 |
| Expenses: | | | | | | |
| Public safety | 11,679,594 | 11,249,523 | - | - | 11,679,594 | 11,249,523 |
| Public works | 5,632,893 | 5,871,272 | - | - | 5,632,893 | 5,871,272 |
| Health and social service | 50,000 | 50,000 | - | - | 50,000 | 50,000 |
| Culture and recreation | 5,697,526 | 4,556,522 | - | - | 5,697,526 | 4,556,522 |
| Community and economic development | 4,438,422 | 5,016,984 | - | - | 4,438,422 | 5,016,984 |
| General government | 3,270,926 | 3,648,966 | - | - | 3,270,926 | 3,648,966 |
| Interest and fees on long-term debt | 280,124 | 263,120 | - | - | 280,124 | 263,120 |
| Water pollution control | - | - | 8,083,096 | 6,943,121 | 8,083,096 | 6,943,121 |
| Transfer station | - | - | 2,271,398 | 2,245,386 | 2,271,398 | 2,245,386 |
| Refuse collection | - | - | 2,307,720 | 2,196,991 | 2,307,720 | 2,196,991 |
| Airport | - | - | 437,402 | 469,323 | 437,402 | 469,323 |
| Parking | - | - | 217,051 | 241,560 | 217,051 | 241,560 |
| Transit | - | - | 1,071,837 | 1,083,419 | 1,071,837 | 1,083,419 |
| Golf course | - | - | 819,126 | 794,259 | 819,126 | 794,259 |
| Boat harbor | - | - | 37,997 | 30,182 | 37,997 | 30,182 |
| Marina | - | - | 11,408 | 6,472 | 11,408 | 6,472 |
| Convention & visitors bureau | - | - | 128,800 | 106,593 | 128,800 | 106,593 |
| Ambulance | - | - | 734,058 | 661,470 | 734,058 | 661,470 |
| Soccer events | - | - | 19,954 | 51,905 | 19,954 | 51,905 |
| Public housing | - | - | 944,046 | 993,184 | 944,046 | 993,184 |
| Total expenses | 31,049,485 | 30,656,387 | 17,083,893 | 15,823,865 | 48,133,378 | 46,480,252 |
| Increase (decrease) in net position before transfers | 5,562,144 | 890,352 | 2,274,421 | 1,993,613 | 7,836,565 | 2,883,965 |
| Transfers in (out) | (984,916) | (2,151,940) | 984,916 | 2,151,940 | - | - |
| Increase (decrease) in net position | 4,577,228 | (1,261,588) | 3,259,337 | 4,145,553 | 7,836,565 | 2,883,965 |
| Net position, beginning of year | 75,751,888 | 77,013,476 | 89,037,415 | 84,891,862 | 164,789,303 | 161,905,338 |
| Net position, end of year | \$ 80,329,116 | \$ 75,751,888 | \$ 92,296,752 | \$ 89,037,415 | \$ 172,625,868 | \$ 164,789,303 |

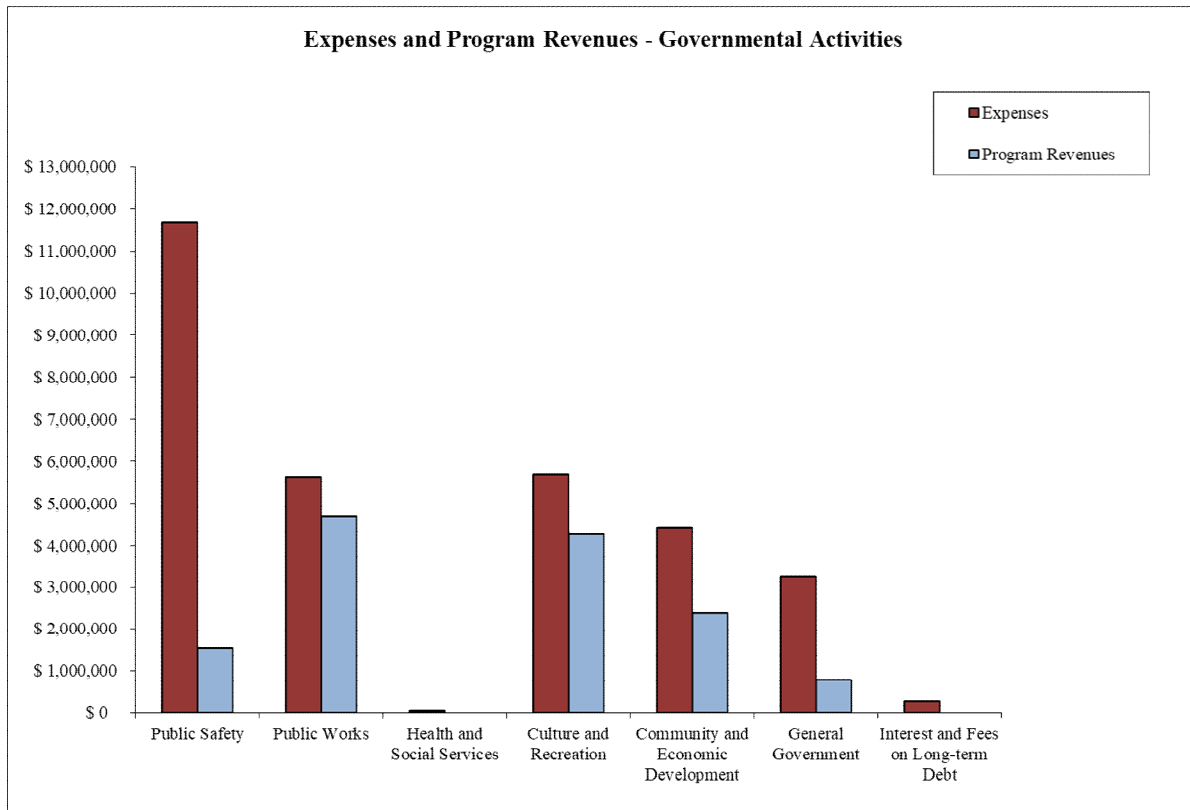
Governmental activities. Governmental activities increased the City's net position by \$4,577,228 during the year. This overall increase was due to the following:

- Revenues for governmental activities increased in total by \$5,064,890 or 16.1% from the previous year. This overall increase is due to increases in property taxes (\$145,353), utility taxes (\$9,113),

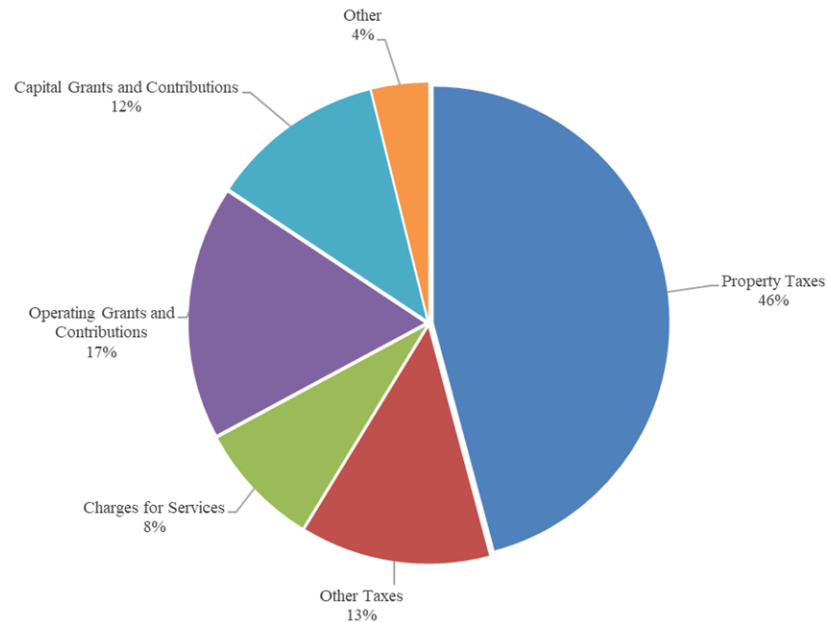
utility franchise fees (\$15,658), charges for services (\$296,333), operating grants, contributions, and restricted interest (\$316,447), local option sales tax (\$753,072), capital grants and contributions (\$3,190,981), intergovernmental not restricted to specific programs (\$497,979) and other revenues (\$158,064). These increases were partially offset by decreases in hotel/motel tax (\$24,139), unrestricted investment earnings (\$283,092), and cable franchise fees (\$10,879).

- The property tax increase of \$145,353 (.9%) includes a \$22,041 increase in incremental property taxes and a \$123,312 increase in regular property taxes. The City's property tax rate remained the same in fiscal year 2020/2021 as it was in 2019/2020. The increase in property tax revenue is due to the growth in taxable valuations.
- Local option sales tax revenue increased by \$753,072 (25.6%). This increase may partially be due to more online sales with goods delivered directly to residents.
- Charges for services for governmental activities increased by \$296,333 (10.6%) compared to the prior year. Public safety charges for services increased by \$98,731, public works charges increased by \$206,326, culture and recreation increased by \$161,351, community development charges decreased by \$72,899, and general government charges decreased by \$97,176. Charges for services revenues were impacted by the COVID-19 pandemic in both the prior year (mid-March through June of 2020) and the first few months of the current year. The increase in public safety charges is due to an \$85,404 increase in revenue from automated traffic enforcement (ATE) camera fines and the net effect of various other increases and decreases in police department revenues. The increase in public works is primarily due to reimbursements for capital project costs and insurance reimbursements. The increase in culture and recreation is primarily due to park facility and program revenues recovering from the summer months in 2020 when parks programs and facility usage was suspended due to the COVID-19 pandemic. The decrease in community development charges for services is due to a decrease in construction permit fees.
- Operating grants, contributions, and restricted interest increased by \$316,447. There were increases of \$509,472 in public works and \$4,172 in general government. These increases were partially offset by decreases of \$70,979 in public safety, \$72,243 in culture and recreation, and \$53,975 in community and economic development.
- Capital grants and contributions increased by \$3,190,981 compared to the previous year. Capital grants and contributions fluctuate from year to year based on construction schedules for capital projects with grant funding. The most significant capital contributions in the current year were in the public works activities, and included grants for street projects and donated public right-of-way and infrastructure from a new subdivision.
- Unrestricted investment earnings decreased by \$283,092 due to the significant decrease in interest rates as a result of the COVID-19 pandemic.
- Expenses for governmental activities increased by \$393,098 or 1.3% from the previous year.
- There was a \$1,156,710 increase in unfunded pension liabilities (expense increase) in the current year compared to a \$1,332,104 unfunded pension liabilities increase (expense increase) in the prior year.
- Governmental expenses increased in the public safety function (\$430,071), decreased in public works (\$238,379), increased in culture and recreation (\$1,141,004), decreased in community and

economic development (\$578,562), decreased in general government (\$378,040), and increased in interest and fees on long-term debt (\$17,004).



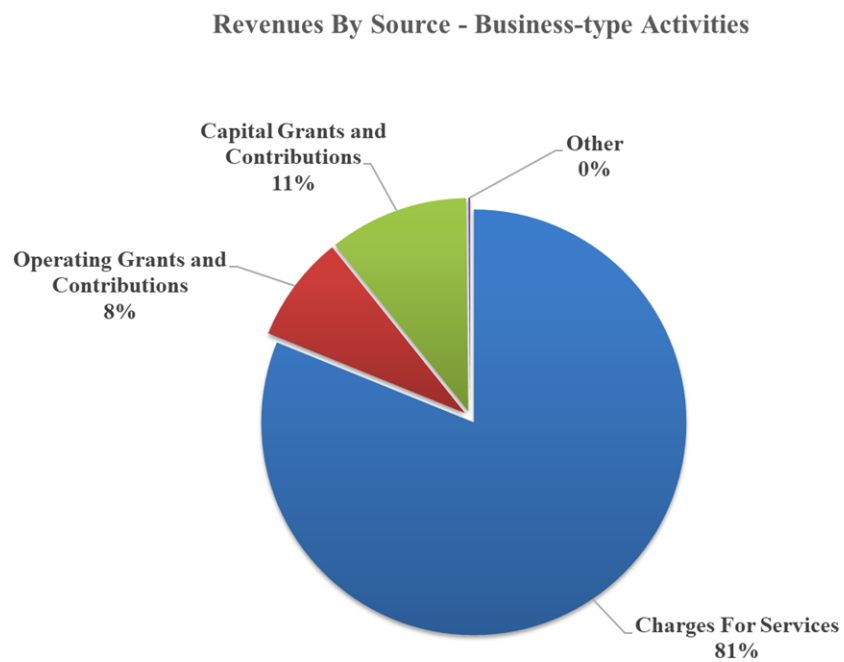
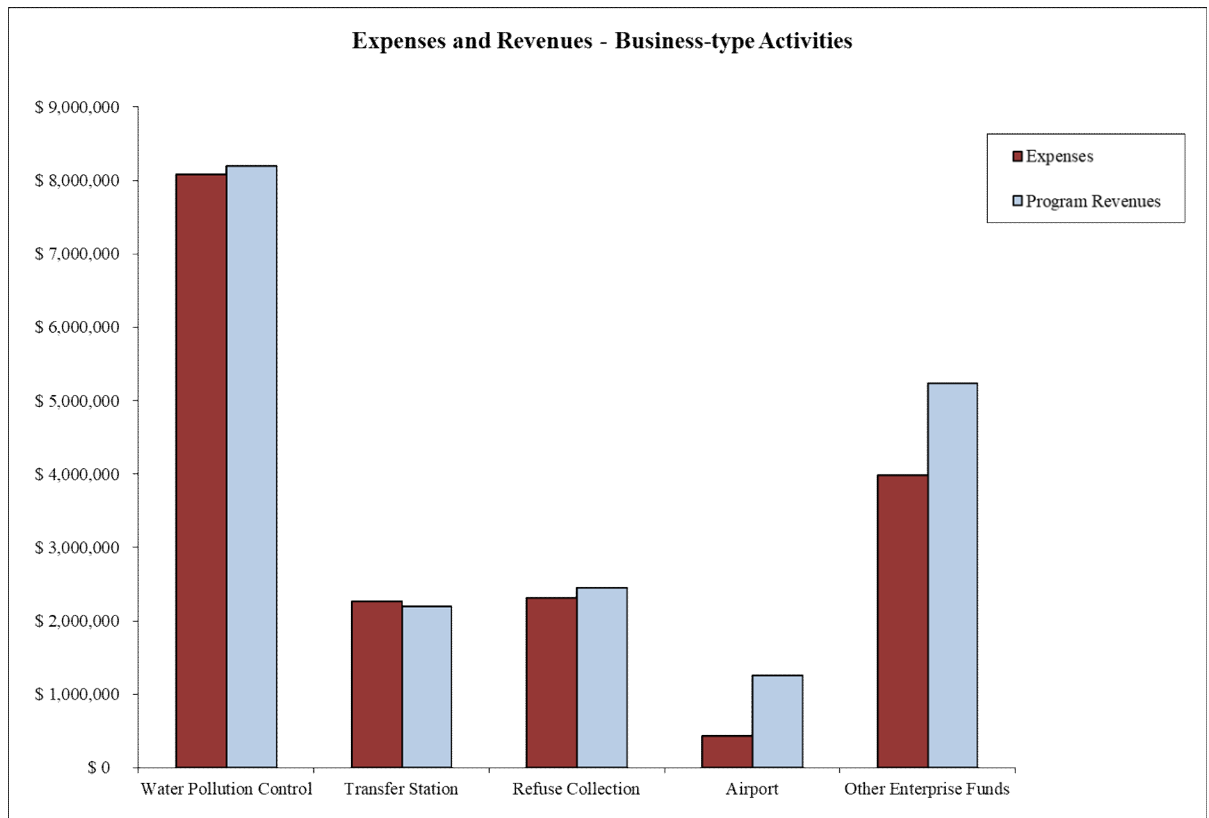
Revenues By Source - Governmental Activities



Business-type activities. Business-type activities increased the City's total net position by \$3,259,337 during the year. Increases in net position were reported in the Water Pollution Control, Refuse Collection, Airport, Transit, Golf Course, Boat Harbor, Soccer Events, and Public Housing funds. Decreases in net position were reported in the Transfer Station, Parking, Convention and Visitors Bureau, and Ambulance funds. Key elements of these changes are as follows:

- Net position of the Water Pollution Control fund increased by \$2,296,220 during the year. Transfers from the Local Option Sales Tax fund funded \$2,203,375 of sewer-related capital project costs during the year.
- Net position of the Transfer Station fund decreased by \$40,083 during the year.
- Net position of the Refuse Collection fund increased by \$89,539 during the year.
- Net position of the Airport fund increased by \$814,549 during the year.
- Net position of the non-major enterprise funds increased by \$11,384 during the year due to increases in the Transit (\$21,205), Golf Course (\$23,948), Boat Harbor (\$169,935), Soccer Events (\$16,811), and Public Housing (\$21,522) funds. These increases were partially offset by decreases in the Parking (\$44,513), Convention and Visitors Bureau (\$28,720), and Ambulance (\$168,804) funds.
- Revenues for the business-type activities increased in total by \$1,540,836 (8.7%).

- Charges for services increased in total by \$318,510 (2.1%). Water pollution control charges for services increased by \$420,888, transfer station charges decreased by \$50,683, refuse collection charges decreased by \$6,105, airport charges increased by \$4,012, and non-major business type fund charges decreased in total by \$49,602. The increase in water pollution control charges was due to a rate increase and increased industrial usage. The Transfer station charges for services decrease was due to a decrease in waste volume, the refuse collection decrease was due to a small decrease in commercial refuse charges, and airport charges had a small increase from normal operations.
- Charges for services revenues were impacted by the COVID-19 pandemic in both the prior year (mid-March through June of 2020) and the first few months of the current year. For non-major business-type activities, there were increases of \$7,405 in parking charges, \$82,393 in golf course charges, \$1,118 in boat harbor charges, \$3,947 in marina charges, and \$23,226 in soccer events charges. There were decreases of \$35,476 in transit charges, \$425 in convention and visitors bureau charges, \$124,794 in ambulance charges, and \$6,996 in public housing charges.
- Operating grants and contributions increased by \$86,012 (5.8%). Operating grants and contributions increased by \$644 in the transfer station fund, \$41,976 in the refuse collection fund, \$27,125 in the airport fund, \$200,630 in the transit fund, \$135 in the golf course fund, \$59,600 in the boat harbor fund, and \$50 in the marina fund. Operating grants and contributions decreased by \$84,364 in the water pollution control fund, by \$41,928 in the ambulance fund, and by \$117,856 in the public housing fund.
- Capital grants and contributions increased by \$1,349,774. Airport capital grants increased by \$635,852, water pollution control capital contributions increased by \$810,735, and boat harbor capital contributions increased by \$125,100. Transit capital grants decreased by \$221,913. The water pollution control capital contribution was from the dedication of sewers and a lift station to the City by the developers of a new subdivision.
- Expenses for the business-type activities increased \$1,260,028 (8.0%). Expenses increased by \$1,139,975 in the water pollution control fund; increased by \$26,012 in the transfer station fund; increased by \$110,729 in the refuse collection fund; decreased by \$31,921 in the airport fund; decreased by \$24,509 in the parking fund; decreased by \$11,582 in the transit fund; increased by \$24,867 in the golf course fund; increased by \$7,815 in the boat harbor fund; increased by \$4,936 in the marina fund; increased by \$22,207 in the convention and visitors bureau fund; increased by \$72,588 in the ambulance fund; decreased by \$31,951 in the soccer events fund; and decreased by \$49,138 in the public housing fund. Expenses were impacted by the COVID-19 pandemic in both the prior year (mid-March through June of 2020) and the first few months of the current year.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,057,188, a decrease of \$1,988,076 (11.0%) in comparison with the prior year. There were increases in fund balance of \$1,131,668 in the general fund, \$9,132 in the employee benefits fund, \$753,229 in the local option sales tax fund, and \$398,419 in the road use tax fund. These increases were offset by decreases of \$33,627 in the debt service fund, \$3,033,298 in the other street improvements fund, and \$1,213,599 in other governmental funds.

Of the combined \$16,057,188 governmental fund balances at year-end, 6.5% (\$1,036,970) is classified as nonspendable and includes advances to other funds and permanent fund principal. A total of \$6,719,826 (41.8%) is classified as restricted by grantors, state or federal laws, or enabling legislation. Assigned fund balances total \$2,480,593 (15.5%) with these funds assigned for purchases on order, future equipment purchases, and future street improvement projects including the Mississippi Drive/Grandview Avenue Corridor project. The remaining \$5,819,799 is classified as unassigned (36.2%). By definition unassigned balances include all deficit balances. There were no deficit fund balances in governmental funds at the end of the current fiscal year.

The general fund is the chief operating fund of the City of Muscatine. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$5,819,799, while the total fund balance was \$6,237,656. The General Fund balance includes a total of \$1,286 classified as nonspendable for advances to other funds. The assigned portion of the balance totals \$416,571, which includes \$127,469 for purchases on order and \$289,102 for future equipment purchases. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned and total general fund balances at the end of the fiscal year represent 28.1% and 30.1%, respectively, of total general fund expenditures. These percentages increased from the prior year computation of unassigned and total fund balances of 23.3% and 24.9%, respectively. The City of Muscatine's general fund balance increased by \$1,131,668 (22.2%) during the current fiscal year.

The Employee Benefits fund balance increased during the year by \$9,132. Taxes are levied in this fund for employee benefits for general fund employees. The increase in fund balance was due to savings from employee vacancies during the year.

The Local Option Sales Tax fund balance increased during the fiscal year by \$753,229. The fund balance of \$1,011,007 at year-end will be used to fund sewer projects in the upcoming year.

The Road Use Tax fund balance increased by \$398,419 during the year. The fund balance of \$1,727,448 at year-end will be used for future street maintenance and capital project costs.

The Debt Service fund balance decreased by \$33,627 during the year. This was a budgeted use of fund balance. The ending fund balance of \$104,143 will be used for future year bond principal and interest payments.

The Other Street Improvements Fund balance decreased by \$3,033,298 during the year. This decrease reflects the use of funds received in prior years for the Mississippi Drive Corridor Reconstruction project. In the 2014/2015 fiscal year the city received \$13 million from the State from the transfer of jurisdiction of the Mississippi Drive/Grandview Avenue corridor. These funds were assigned to be used to reconstruct this major business route, which runs through downtown Muscatine. This overall project is being done in phases with phase one from the Mississippi River Bridge to Broadway completed in 2018. The next phase for the 2nd and Mulberry Avenue roundabout was completed in the current year. The Grandview Avenue phase began in the current year and is scheduled to be completed in 2022/2023.

The fund balances in the Other Governmental Funds decreased in total by \$1,213,599. Fund balances increased by \$20,926 in the non-major special revenue funds, decreased by \$1,246,001 in the non-major capital projects funds, and increased by \$11,476 in the non-major permanent funds. The non-major capital projects fund decrease is primarily due to expending proceeds of the May 2020 bond issue for various street, park, and other improvements in the current year.

Proprietary funds. The City of Muscatine's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position for the City's enterprise funds as of June 30, 2021 was \$91,655,265, an increase of \$3,171,609 from the previous fiscal year's net position. Of the net position of the enterprise funds, \$80,664,102 is the net investment in capital assets of the enterprise funds. Restricted net position totaled \$128,687. Unrestricted net position totaled \$10,862,476, an increase of \$1,549,455 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Net position for the internal service funds totaled \$2,220,887 as of June 30, 2021, an increase of \$97,390 from the previous year. Net position increased by \$19,108 in the Equipment Services fund and by \$84,641 in the Health Insurance fund. Net position decreased by \$480 in the Central Supplies fund and by \$5,879 in the Dental Insurance fund.

General Fund Budgetary Highlights

During the year there was a \$29,200 increase in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund decreased by \$246,141 from the original to the amended budget. Following are the main components of the overall budget appropriation increase during the year:

- There was a \$127,500 increase in the public safety function budgets. This included an increase of \$34,100 in the police department budget, a decrease of \$1,000 in the animal control budget, and an increase of \$94,400 in the fire department budget. The increase in the police department budget includes \$27,900 due to expenditures funded from CARES (Coronavirus Aid, Relief, and Economic Security) Act funding for purchases related to the COVID-19 pandemic and the net effect of various increases and decreases in other areas of the budget. The overall increase in the fire department budget is primarily due to an increased allocation for capital outlay for self-contained breathing apparatuses (\$268,000) with 90% of the cost of this equipment funded from a federal grant. There were reductions in other areas of the budget that offset a portion of this overall increase.
- Public works function budgeted expenditures were decreased in total by \$99,200. This overall decrease included a decrease in the roadway maintenance budget of \$30,800 primarily due to savings from personnel vacancies during the year; a decrease of \$64,400 in the street cleaning

budget due to deferring capital outlay purchases and not contracting for temporary services for the fall leaf program; and a decrease of \$83,000 in the engineering budget due to staffing changes and vacancy savings. These decreases were partially offset by increases in the snow and ice control (\$61,200), traffic control (\$15,600), and public works administration (\$2,200) budgets.

- The culture and recreation function appropriation increased in total by \$60,500. Increases in the park maintenance, Kent-Stein Park, and soccer complex budgets were partially offset by reductions in the recreation and aquatic center budgets.
- The community and economic development function appropriation increased by \$23,900. This overall increase is due to increased nuisance abatement costs. These costs are billed to the property owners, and if not paid, are assessed to the properties.
- There was an \$83,500 decrease in the general government function appropriation from the original budget to the amended budget. The overall decrease includes a \$40,800 decrease in the human resources budget due to deferring the hiring of the human resources generalist position that was added in the original budget; a decrease of \$35,000 in the risk management budget due to reduced insurance costs; and a decrease of \$15,900 in the city administrator budget since the new city administrator did not begin work until mid-August of 2020. These decrease were partially offset a net increase in other general government budgets.

Capital Asset and Debt Administration

Capital assets. The City of Muscatine's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$179,474,535 (net of accumulated depreciation), an increase of \$3,587,741 compared to the prior year. This investment in capital assets includes land, buildings and building improvements, machinery and equipment, park facilities, streets, and bridges. The City of Muscatine's investment in capital assets for the current fiscal year increased by \$2,764,084 for governmental activities compared to the prior year and increased by \$823,657 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Additions to capital assets (net of asset retirements) totaled \$11,321,678.
- Major asset additions included \$4,323,559 in street improvements; \$1,287,036 in downtown streetscaping improvements; \$1,982,163 in sewer system improvements; \$1,154,585 in airport improvements; and \$1,297,158 in donated public infrastructure in the new Arbor Commons subdivision.
- Depreciation expense totaled \$8,310,552 for the year with \$4,471,068 in the governmental activities and \$3,839,484 in the business-type activities.

City of Muscatine Capital Assets
(Net of Depreciation)

| | Governmental activities | | Business-type activities | | Total | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land, art work, and construction in progress, not being depreciated | \$ 26,455,435 | \$ 25,715,961 | \$ 5,272,796 | \$ 4,937,125 | \$ 31,728,231 | \$ 30,653,086 |
| Other capital assets net of accumulated depreciation | 62,076,685 | 60,052,075 | 85,669,619 | 85,181,633 | 147,746,304 | 145,233,708 |
| Total capital assets | <u>\$ 88,532,120</u> | <u>\$ 85,768,036</u> | <u>\$ 90,942,415</u> | <u>\$ 90,118,758</u> | <u>\$ 179,474,535</u> | <u>\$ 175,886,794</u> |

Additional information on the City of Muscatine's capital assets can be found in note 4 on pages 63-65 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$23,177,496. Of this amount, \$13,489,496 is general obligation debt backed by the full faith and credit of the City with \$12,899,183 of this debt reflected as debt of the governmental activities and \$590,313 reflected as debt of the business-type activities. The remainder of the City of Muscatine's debt represents revenue bonds secured solely by specific revenue sources.

City of Muscatine Outstanding Debt
General Obligation and Revenue Bonds

| | Governmental activities | | Business-type activities | | Total | |
|--------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | \$ 12,899,183 | \$ 15,410,456 | \$ 590,313 | \$ 664,039 | \$ 13,489,496 | \$ 16,074,495 |
| Revenue bonds | - | 150,000 | 9,688,000 | 10,411,000 | 9,688,000 | 10,561,000 |
| Total | <u>\$ 12,899,183</u> | <u>\$ 15,560,456</u> | <u>\$ 10,278,313</u> | <u>\$ 11,075,039</u> | <u>\$ 23,177,496</u> | <u>\$ 26,635,495</u> |

The City's total bonded debt decreased in total by \$3,457,999 during the year. The City did not issue any new general obligation bonds or any revenue debt during the year. Debt retired totaled \$3,348,000, which included \$2,475,000 in general obligation bonds, \$150,000 of tax increment revenue bonds, and \$723,000 in sewer revenue bonds.

State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is \$73,600,460. The amount of bonded debt applicable to the debt limit totals \$13,125,000. The City also has Tax Increment Financing rebate agreements that total to a maximum obligation of \$2,795,593 as of the end of the year. The bonded debt and rebate agreements total to \$15,920,593. Although tax increment rebate agreements are required to be included in the computation of debt subject to the debt limit, these obligations are totally financed by incremental taxes received from the benefitted properties. The City's debt, including the rebate agreement obligations, is significantly less than the maximum debt limit allowed.

The City was assigned an Aa2 rating from Moody's Investor Services for the City's most recent general obligation bond issue in May of 2020. This rating was the same rating as that assigned for the May 2018 bond issue.

Additional information on the City's long-term debt can be found in note 5 on pages 66-71 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Muscatine County was 6.0% for calendar year 2020 compared to 2.9% for calendar year 2019. Separate unemployment figures are not maintained for the City of Muscatine.
- While the City normally reports only annual unemployment rates, the COVID-19 pandemic impacted the Muscatine County monthly unemployment rates beginning in April of 2020. In mid-March of 2020, the Governor of Iowa ordered all food and beverage facilities to suspend their indoor food and beverage services, and other non-essential businesses were mandated to be closed to the public in an effort to reduce the spread of the coronavirus. Muscatine County's unemployment rate increased to 11.8% in April of 2020 and was 11.5% in May. Businesses began re-opening in June, with some restrictions, and the unemployment rate for June decreased to 8.4%. The monthly unemployment rates for July through December of 2020 decreased to 6.2%, 5.2%, 4.6%, 3.9%, 4.4%, and 4.9%, respectively. The monthly unemployment rates for January through June of 2021 were 6.2%, 5.9%, 5.0%, 4.7%, 4.5%, and 4.9%, respectively. The unemployment rate for July of 2021 decreased to 4.2%. Further discussion of the impacts of the COVID-19 pandemic is included in the letter of transmittal.
- The City's taxable value increased by .86% for the 2020/2021 year and increased by 4.88% for the upcoming 2021/2022 fiscal year.
- In 2013 State legislation for property tax reform implemented a 10% rollback at 5% per year over two years (2014/2015 and 2015/2016), on commercial, industrial, and railroad property, after which this property will be taxed at 90%. This legislation included some backfill funding for local governments. There was no further change to the rollback factor on commercial, industrial, or railroad valuations for the 2016/2017 through 2021/2022 budgets. This legislation also created a new "multi-residential" property class which will be rolled back to residential levels by January 1, 2022, without backfill to local governments. This is being phased in beginning in the 2016/2017 fiscal year. The rollback factor for these properties was 86.25% in 2016/2017, 82.50% for 2017/2018, 78.75% for 2018/2019, 75.00% for 2019/2020, 71.25% for 2020/2021, and will be 67.50% for 2021/2022. The rollback will decrease by an additional 3.75% to 63.75% for 2022/2023. Beginning in 2023/2024, the rollback will be equivalent to the residential rollback in place at that time.
- In the 2021 legislative session, Senate File 619 was enacted which will phase out the backfill funding for the commercial, industrial, and railroad property rollback included in the 2013 property tax reform legislation discussed above. The City of Muscatine's base backfill amount totals \$610,325. Based on the City's 18.68% increase in taxable valuation (without gas and electric) between fiscal years 2013/2014 and 2020/2021, the City qualifies for the 8-year phase-out of the backfill reimbursement. This calculates to a 12.5% annual reduction in the reimbursement beginning in fiscal year 2022/2023. This will not have an impact on the upcoming 2021/2022 fiscal year budget. The estimated backfill for 2022/2023 will decrease to \$534,034, then to \$457,744, to \$381,453, to \$305,162, to \$228,872, to \$152,581, and to \$76,291, for the following six years. The backfill funding will be fully eliminated beginning in the 2029/2030 budget year.
- The upcoming budget provides funding for capital improvement projects to continue. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (80%) and also ongoing costs of the City's pavement management program (20%). On March 6, 2018, voters approved a 15-year extension (to June 30, 2034) to the local option sales tax which was previously scheduled to end on June 30, 2019.

- Construction began in the spring of 2017 and the contract was closed out in May of 2019 on phase one of the Mississippi Drive Corridor reconstruction project. The first phase of this project was from the Mississippi River bridge to Broadway except for the intersection at Mulberry Avenue. Construction began in the fall of 2019 and was completed in the fall of 2020 on phase two of the project, which was the roundabout at the 2nd and Mulberry intersection. Construction began in 2020/2021 on the Grandview Avenue phase of the project, which is the final phase of the Corridor project. The Grandview Avenue reconstruction is scheduled to continue in 2021/2022 and to be completed by the winter of 2022/2023. The Corridor project is being funded from the \$13 million in Transfer of Jurisdiction funds the City received from the State in August of 2014, \$4 million in contributions from the Canadian Pacific Railroad (for phase one), federal grant funding of \$3,550,000 to assist in funding the Grandview Avenue phase of this project, and general obligation bonds as needed to complete the financing of this project.
- Several other capital projects were underway in 2020/2021 and are scheduled to be completed in 2021/2022. These include phase 5-A of the West Hill Sewer Separation project funded from local option sales tax, the Airport Taxiway A Reconstruction project with 100% funding from the Federal Aviation Administration (FAA), the conversion of a portion of Park Avenue from a four-lane to a three-lane configuration, and the 2nd Street Streetscape project. These projects are scheduled to be completed by the end of calendar year 2021.
- In 2021/2022, the City will continue the ongoing maintenance portion of the Comprehensive Pavement Management Program. Prior year funding allocations totaling over \$5 million were used to complete the initial upgrade of the City's streets. Annual allocations to maintain streets at this higher level will continue to be funded from the 20% allocation of local option sales tax and road use taxes.
- In 2007, the City signed a Consent Order with the Environmental Protection Agency (E.P.A.) that requires the City to complete specific major sewer separation projects by 2028. The West Hill Sewer Separation project is the remaining project mandated by this Consent Order. This is a multi-year, multi-phase project estimated to reach or exceed \$54 million in total costs. Local option sales tax funds will fund a significant portion of the cost of this project. The local option sales tax funds, however, will need to be supplemented with future sewer revenue bonds or other funds to complete the financing for this project. The City is setting aside annual allocations from the Water Pollution Control fund operating budget so these funds will also be available to assist with financing this project.
- The 2021/2022 budget provides for an increase in sewer and golf course fees. No fee increases are budgeted for the transfer station, refuse collection, parking, transit, or boat harbor.

Requests for Information

This financial report is designed to provide a general overview of the City of Muscatine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 215 Sycamore Street, Muscatine, Iowa, 52761.

City of Muscatine, Iowa

**Statement of Net Position
June 30, 2021**

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|----------------|---|-------------------------------|
| | Governmental Activities | Business-type Activities | Total | Muscatine County Solid Waste Agency | Muscatine Power & Water |
| ASSETS | | | | | |
| Cash and pooled investments | \$ 16,355,728 | \$ 12,346,464 | \$ 28,702,192 | \$ 1,710,962 | \$ 31,035,241 |
| Investments | 2,768,929 | 704,631 | 3,473,560 | - | 36,719,087 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Interest | 6,482 | 496 | 6,978 | 253 | 23,697 |
| Taxes | 17,421,429 | - | 17,421,429 | - | - |
| Accounts | 532,521 | 1,925,626 | 2,458,147 | - | 9,530,599 |
| Intergovernmental | 4,292,105 | 1,076,842 | 5,368,947 | - | - |
| Internal balances | (641,487) | 641,487 | - | - | - |
| Inventories | 127,203 | 43,137 | 170,340 | - | 23,620,437 |
| Prepays | - | 10,616 | 10,616 | - | 803,304 |
| Restricted assets: | | | | | |
| Temporarily restricted: | | | | | |
| Cash and pooled investments | - | 162,512 | 162,512 | 2,594,476 | 947,250 |
| Assets held for resale | - | 172,517 | 172,517 | - | - |
| Unamortized debt issuance costs | - | - | - | - | 45,181 |
| Capital assets: | | | | | |
| Land, art work and construction in progress, not being depreciated | 26,455,435 | 5,272,796 | 31,728,231 | 1,080,608 | 16,105,952 |
| Other capital assets net of accumulated depreciation | 62,076,685 | 85,669,619 | 147,746,304 | 775,792 | - |
| Utility plant in service | - | - | - | - | 107,958,340 |
| Joint venture rights | - | - | - | - | 117,118 |
| Total assets | 129,395,030 | 108,026,743 | 237,421,773 | 6,162,091 | 226,906,206 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension related deferred outflows | 5,338,745 | 756,685 | 6,095,430 | - | 5,750,383 |
| OPEB related deferred outflows | 230,807 | 67,018 | 297,825 | - | 122,406 |
| Total deferred outflows of resources | 5,569,552 | 823,703 | 6,393,255 | - | 5,872,789 |
| LIABILITIES | | | | | |
| Accounts payable and accruals | 2,603,795 | 1,834,851 | 4,438,646 | 77,049 | 10,656,256 |
| Retainages payable | 209,107 | 161,328 | 370,435 | - | - |
| Deposits | - | 48,617 | 48,617 | - | 1,220,731 |
| Accrued interest payable | 26,649 | 18,059 | 44,708 | - | - |
| Escrow liability | 41,381 | 2,192 | 43,573 | - | - |
| Unearned revenue | 79,043 | 43,180 | 122,223 | - | 323,238 |
| Unearned revenue - O&M account | - | - | - | - | 28,032,866 |
| Liabilities payable from restricted assets: | | | | | |
| Current installment of long-term debt | - | - | - | - | 2,953,729 |
| Accrued interest payable | - | - | - | - | 45,604 |
| Noncurrent liabilities: | | | | | |
| Due within one year | 3,347,419 | 1,060,568 | 4,407,987 | 1,926 | - |
| Due in more than one year | 30,285,823 | 13,152,501 | 43,438,324 | 1,665 | 30,645,153 |
| Closure/post-closure obligation | - | 33,825 | 33,825 | 4,092,274 | 1,024,122 |
| Total liabilities | 36,593,217 | 16,355,121 | 52,948,338 | 4,172,914 | 74,901,699 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related deferred inflows | 744,454 | 191,715 | 936,169 | - | 6,633,059 |
| OPEB related deferred inflows | 23,618 | 6,858 | 30,476 | - | 113,257 |
| Deferred inflow - property taxes | 17,274,177 | - | 17,274,177 | - | - |
| Total deferred inflows of resources | 18,042,249 | 198,573 | 18,240,822 | - | 6,746,316 |
| NET POSITION | | | | | |
| Net investment in capital assets | 77,447,711 | 80,664,102 | 158,111,813 | 1,856,400 | 104,267,844 |
| Restricted for: | | | | | |
| Debt service | 104,143 | 128,687 | 232,830 | - | 901,646 |
| Public works | 2,763,455 | - | 2,763,455 | - | - |
| Community and economic development | 243,542 | - | 243,542 | - | - |
| Public safety | 10,935 | - | 10,935 | - | - |
| Employee benefits | 213,065 | - | 213,065 | - | - |
| Tax increment financing projects | 1,034,367 | - | 1,034,367 | - | - |
| Capital projects | 57,995 | - | 57,995 | - | - |
| Perpetual care, nonexpendable | 903,684 | - | 903,684 | - | - |
| Endowments: | | | | | |
| Nonexpendable | 132,000 | - | 132,000 | - | - |
| Expendable | 458,872 | - | 458,872 | - | - |
| Unrestricted | (3,040,653) | 11,503,963 | 8,463,310 | 132,777 | 45,961,490 |
| Total net position | \$ 80,329,116 | \$ 92,296,752 | \$ 172,625,868 | \$ 1,989,177 | \$ 151,130,980 |

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa
Statement of Activities
For the Year Ended June 30, 2021

| Functions: | Net (Expense) Revenue and Changes in Net Position | | | | | | | Component Units | |
|---|--|-------------------------|---|--|----------------------------|-----------------------------|-----------------|-----------------------|-----------------------------|
| | Program Revenues | | | | Primary Government | | | Muscataine County | |
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Solid Waste Agency | Muscataine Power & Water |
| Primary Government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| Public safety | \$ 11,679,594 | \$ 905,951 | \$ 382,221 | \$ 264,808 | \$ (10,126,614) | \$ - | \$ (10,126,614) | | |
| Public works | 5,632,893 | 420,849 | 3,713,145 | 551,960 | (946,939) | - | (946,939) | | |
| Health and social services | 50,000 | - | - | - | (50,000) | - | (50,000) | | |
| Culture and recreation | 5,697,526 | 551,621 | 216,185 | 3,509,216 | (1,420,504) | - | (1,420,504) | | |
| Community and economic development | 4,438,422 | 413,815 | 1,970,863 | - | (2,053,744) | - | (2,053,744) | | |
| General government | 3,270,926 | 788,502 | 5,172 | - | (2,477,252) | - | (2,477,252) | | |
| Interest and fees on long-term debt | 280,124 | - | - | - | (280,124) | - | (280,124) | | |
| Total governmental activities | 31,049,485 | 3,080,738 | 6,287,586 | 4,325,984 | (17,355,177) | - | (17,355,177) | | |
| Business-type activities: | | | | | | | | | |
| Water pollution control | 8,083,096 | 7,382,166 | 2,405 | 810,735 | - | 112,210 | 112,210 | | |
| Transfer station | 2,271,398 | 2,195,824 | 644 | - | - | (74,930) | (74,930) | | |
| Refuse collection | 2,307,720 | 2,366,675 | 83,595 | - | - | 142,550 | 142,550 | | |
| Airport | 437,402 | 87,340 | 46,500 | 1,117,993 | - | 814,431 | 814,431 | | |
| Parking | 217,051 | 174,486 | - | - | - | (42,565) | (42,565) | | |
| Transit | 1,071,837 | 97,492 | 885,654 | - | - | (88,691) | (88,691) | | |
| Golf course | 819,126 | 847,202 | 135 | - | - | 28,211 | 28,211 | | |
| Boat harbor | 37,997 | 20,514 | 59,600 | 125,100 | - | 167,217 | 167,217 | | |
| Marina | 11,408 | 8,189 | 50 | - | - | (3,169) | (3,169) | | |
| Convention and visitors bureau | 128,800 | - | - | - | - | (128,800) | (128,800) | | |
| Ambulance | 734,058 | 2,004,547 | - | - | - | 1,270,489 | 1,270,489 | | |
| Soccer Events | 19,954 | 36,672 | - | - | - | 16,718 | 16,718 | | |
| Public housing | 944,046 | 483,807 | 492,317 | - | - | 32,078 | 32,078 | | |
| Total business-type activities | 17,083,893 | 15,704,914 | 1,570,900 | 2,053,828 | - | 2,245,749 | 2,245,749 | | |
| Total primary government | \$ 48,133,378 | \$ 18,785,652 | \$ 7,858,486 | \$ 6,379,812 | (17,355,177) | 2,245,749 | (15,109,428) | | |
| Component Units: | | | | | | | | | |
| Muscataine County Solid Waste Agency | 1,292,015.00 | 1,130,507.00 | 117,177.00 | - | | | | (44,331.00) | \$ - |
| Muscataine Power & Water | 104,117,574 | 109,154,046 | - | 218,804 | | | | - | 5,255,276 |
| Total component units | \$ 105,409,589 | \$ 110,284,553 | \$ 117,177 | \$ 218,804 | | | | (44,331) | 5,255,276 |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | 16,783,749 | - | 16,783,749 | - | - |
| Utility taxes | | | | | 62,736 | - | 62,736 | - | - |
| Local option sales tax | | | | | 3,693,591 | - | 3,693,591 | - | - |
| Hotel/motel taxes | | | | | 374,449 | - | 374,449 | - | - |
| Cable franchise taxes | | | | | 132,287 | - | 132,287 | - | - |
| Utility franchise fees | | | | | 456,312 | - | 456,312 | - | - |
| Intergovernmental, unrestricted | | | | | 1,208,683 | - | 1,208,683 | - | - |
| Unrestricted investment income | | | | | 42,870 | 28,672 | 71,542 | 9,937 | 678,795 |
| Gain on sale of capital assets | | | | | 150,850 | - | 150,850 | - | 43,447 |
| Contributions to endowments | | | | | 11,794 | - | 11,794 | - | - |
| Transfers | | | | | (984,916) | 984,916 | - | - | - |
| Total general revenues, contributions to endowments and transfers | | | | | 21,932,405 | 1,013,588 | 22,945,993 | 9,937 | 722,242 |
| Change in net position | | | | | 4,577,228 | 3,259,337 | 7,836,565 | (34,394) | 5,977,518 |
| Net position, June 30, 2020 | | | | | 75,751,888 | 89,037,415 | 164,789,303 | 2,023,571 | 145,153,462 |
| Net position, June 30, 2021 | | | | | \$ 80,329,116 | \$ 92,296,752 | \$ 172,625,868 | \$ 1,989,177 | \$ 151,130,980 |

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

**Balance Sheet
Governmental Funds
June 30, 2021**

| | General | Employee Benefits | Local Option Sales Tax | Road Use Tax | Debt Service | Other Street Improvements |
|---|----------------|------------------------------|-----------------------------------|-------------------------|-------------------------|--------------------------------------|
| ASSETS | | | | | | |
| Cash and pooled investments | \$ 6,401,765 | \$ 172,466 | \$ 733,937 | \$ 1,133,786 | \$ 83,230 | \$ 815,363 |
| Investments | - | - | - | - | - | 2,001,954 |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Interest | 1,119 | - | - | - | - | 116 |
| Taxes | 8,143,163 | 4,524,423 | 302,070 | - | 2,376,109 | - |
| Accounts | 492,197 | - | - | - | - | - |
| Intergovernmental | 252,538 | - | - | 593,662 | - | 2,313,489 |
| Advances to other funds | 1,286 | - | - | - | - | - |
| Total assets | 15,292,068 | 4,696,889 | 1,036,007 | 1,727,448 | 2,459,339 | 5,130,922 |
| LIABILITIES | | | | | | |
| Accounts payable and accruals | \$ 817,314 | \$ - | \$ - | \$ - | \$ - | \$ 695,230 |
| Retainages payable | - | - | - | - | - | 58,181 |
| Escrow liability | - | - | - | - | - | - |
| Advances from other funds | - | - | - | - | - | - |
| Unearned revenue | 3,572 | - | - | - | - | - |
| Total liabilities | 820,886 | - | - | - | - | 753,411 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable revenue - property taxes | 8,070,757 | 4,483,824 | - | - | 2,355,196 | - |
| Unavailable revenue - other taxes | - | - | 25,000 | - | - | - |
| Unavailable revenue - intergovernmental | 162,769 | - | - | - | - | 2,313,489 |
| Total deferred inflows of resources | 8,233,526 | 4,483,824 | 25,000 | - | 2,355,196 | 2,313,489 |
| FUND BALANCES | | | | | | |
| Nonspendable | | | | | | |
| Advances to other funds | 1,286 | - | - | - | - | - |
| Permanent fund principal | - | - | - | - | - | - |
| Restricted for: | | | | | | |
| Grant purposes | - | - | - | - | - | - |
| Streets and sidewalks | - | - | - | 1,727,448 | - | - |
| Law enforcement | - | - | - | - | - | - |
| Building improvements | - | - | - | - | - | - |
| Park improvements | - | - | - | - | - | - |
| Tax levy purposes | - | 213,065 | - | - | - | - |
| Sewer and street projects | - | - | 1,011,007 | - | - | - |
| Debt service | - | - | - | - | 104,143 | - |
| Housing and community development | - | - | - | - | - | - |
| Art center | - | - | - | - | - | - |
| Library | - | - | - | - | - | - |
| Levee improvement projects | - | - | - | - | - | - |
| Other purposes | - | - | - | - | - | - |
| Assigned to: | | | | | | |
| Purchases on order - public safety | 25,611 | - | - | - | - | - |
| Purchases on order - public works | 34,371 | - | - | - | - | - |
| Purchases on order - culture and recreation | 14,000 | - | - | - | - | - |
| Purchases on order - community and economic development | 23,029 | - | - | - | - | - |
| Purchases on order - general government | 30,458 | - | - | - | - | - |
| Future equipment purchases | 289,102 | - | - | - | - | - |
| Streets | - | - | - | - | - | 2,064,022 |
| Unassigned | 5,819,799 | - | - | - | - | - |
| Total fund balances | 6,237,656 | 213,065 | 1,011,007 | 1,727,448 | 104,143 | 2,064,022 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 15,292,068 | \$ 4,696,889 | \$ 1,036,007 | \$ 1,727,448 | \$ 2,459,339 | \$ 5,130,922 |

The notes to the financial statements are an integral part of this statement.

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 4,485,573 | \$ 13,826,120 |
| 766,975 | 2,768,929 |
| | |
| 5,105 | 6,340 |
| 2,377,734 | 17,723,499 |
| 27,489 | 519,686 |
| 830,346 | 3,990,035 |
| - | 1,286 |
| <u>8,493,222</u> | <u>38,835,895</u> |
| | |
| \$ 770,623 | \$ 2,283,167 |
| 150,926 | 209,107 |
| 41,381 | 41,381 |
| 1,286 | 1,286 |
| 72,692 | 76,264 |
| <u>1,036,908</u> | <u>2,611,205</u> |
| | |
| 2,364,400 | 17,274,177 |
| - | 25,000 |
| <u>392,067</u> | <u>2,868,325</u> |
| <u>2,756,467</u> | <u>20,167,502</u> |
| | |
| - | 1,286 |
| 1,035,684 | 1,035,684 |
| | |
| 132,154 | 132,154 |
| 1,146,967 | 2,874,415 |
| 42,028 | 42,028 |
| 562,146 | 562,146 |
| 151,201 | 151,201 |
| 672,754 | 885,819 |
| - | 1,011,007 |
| - | 104,143 |
| 440,046 | 440,046 |
| 383,699 | 383,699 |
| 54,757 | 54,757 |
| 57,995 | 57,995 |
| 20,416 | 20,416 |
| | |
| - | 25,611 |
| - | 34,371 |
| - | 14,000 |
| | |
| - | 23,029 |
| - | 30,458 |
| - | 289,102 |
| - | 2,064,022 |
| - | 5,819,799 |
| <u>4,699,847</u> | <u>16,057,188</u> |
| | |
| <u>\$ 8,493,222</u> | <u>\$ 38,835,895</u> |

City of Muscatine, Iowa

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021**

| | | |
|--|------------------|-----------------------------|
| Total governmental fund balances | | \$ 16,057,188 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 88,416,460 |
| Other long-term assets are not available to pay for current period expenditures and, therefore are reported as a deferred inflow of resources in the funds. | | 2,893,325 |
| Deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows: | | |
| Pensions: | | |
| Deferred outflows of resources | \$ 5,292,388 | |
| Deferred inflows of resources | <u>(732,316)</u> | 4,560,072 |
| Other post-employment benefits: | | |
| Deferred outflows of resources | \$ 225,052 | |
| Deferred inflows of resources | <u>(23,029)</u> | 202,023 |
| Internal service funds are used by management to charge the costs of equipment services, central supplies and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | 2,220,887 |
| Internal service fund allocations to business-type activities | | (641,487) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Bonds payable | | (12,899,183) |
| Accrued interest payable | | (26,649) |
| Compensated absences | | (1,728,561) |
| Other post-employment benefits | | (1,012,007) |
| Pension liability | | <u>(17,712,952)</u> |
| Net position of governmental activities | | <u><u>\$ 80,329,116</u></u> |

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2021

| | General | Employee Benefits | Local Option Sales Tax | Road Use Tax | Debt Service | Other Street Improvements |
|---------------------------------------|--------------|----------------------|---------------------------|--------------|-----------------|------------------------------|
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 7,739,009 | \$ 4,337,665 | \$ - | \$ - | \$ 2,312,325 | \$ - |
| Utility | 34,169 | 19,162 | - | - | 9,405 | - |
| Hotel/motel | 374,449 | - | - | - | - | - |
| Cable franchise | 132,287 | - | - | - | - | - |
| Utility franchise | 456,312 | - | - | - | - | - |
| Local option sales | - | - | 3,693,591 | - | - | - |
| Licenses and permits | 226,375 | - | - | - | - | - |
| Fines and forfeitures | 727,760 | - | - | - | - | - |
| Intergovernmental | 1,725,202 | 186,363 | - | 3,504,858 | 91,478 | - |
| Charges for services | 537,842 | - | - | - | - | - |
| Use of money and property | 102,774 | - | 1,892 | - | 1,897 | 8,170 |
| Other | 1,154,858 | - | - | - | - | 143,454 |
| Total revenues | 13,211,037 | 4,543,190 | 3,695,483 | 3,504,858 | 2,415,105 | 151,624 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 10,118,048 | - | - | - | - | - |
| Public works | 2,665,965 | - | - | - | - | - |
| Health and social services | 50,000 | - | - | - | - | - |
| Culture and recreation | 3,301,282 | - | - | - | - | - |
| Community and economic development | 884,844 | - | - | - | - | - |
| General government | 2,753,012 | - | - | - | - | - |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 2,410,000 | - |
| Interest | - | - | - | - | 383,766 | - |
| Paying agent | - | - | - | - | 2,700 | - |
| Capital outlay: | | | | | | |
| Public safety | 420,637 | - | - | - | - | - |
| Public works | 241,204 | - | - | - | - | 3,185,108 |
| Culture and recreation | 227,055 | - | - | - | - | - |
| Community and economic development | 15,140 | - | - | - | - | - |
| General government | 45,500 | - | - | - | - | - |
| Total expenditures | 20,722,687 | - | - | - | 2,796,466 | 3,185,108 |
| Revenues over (under) expenditures | (7,511,650) | 4,543,190 | 3,695,483 | 3,504,858 | (381,361) | (3,033,484) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 8,862,659 | - | - | - | 347,734 | 186 |
| Transfers out | (219,341) | (4,534,058) | (2,942,254) | (3,106,439) | - | - |
| Total other financing sources (uses) | 8,643,318 | (4,534,058) | (2,942,254) | (3,106,439) | 347,734 | 186 |
| Net change in fund balances | 1,131,668 | 9,132 | 753,229 | 398,419 | (33,627) | (3,033,298) |
| Fund balances, June 30, 2020 | 5,105,988 | 203,933 | 257,778 | 1,329,029 | 137,770 | 5,097,320 |
| Fund balances, June 30, 2021 | \$ 6,237,656 | \$ 213,065 | \$ 1,011,007 | \$ 1,727,448 | \$ 104,143 | \$ 2,064,022 |

The notes to the financial statements are an integral part of this statement.

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 2,494,143 | \$ 16,883,142 |
| - | 62,736 |
| - | 374,449 |
| - | 132,287 |
| - | 456,312 |
| - | 3,693,591 |
| - | 226,375 |
| - | 727,760 |
| 2,579,845 | 8,087,746 |
| - | 537,842 |
| 26,211 | 140,944 |
| 633,660 | 1,931,972 |
| <u>5,733,859</u> | <u>33,255,156</u> |
| - | 10,118,048 |
| - | 2,665,965 |
| - | 50,000 |
| 51,285 | 3,352,567 |
| 3,508,134 | 4,392,978 |
| - | 2,753,012 |
| 150,000 | 2,560,000 |
| 8,700 | 392,466 |
| - | 2,700 |
| 10,500 | 431,137 |
| 2,533,872 | 5,960,184 |
| 1,203,009 | 1,430,064 |
| 21,077 | 36,217 |
| 123,994 | 169,494 |
| <u>7,610,571</u> | <u>34,314,832</u> |
| <u>(1,876,712)</u> | <u>(1,059,676)</u> |
| 1,757,512 | 10,968,091 |
| <u>(1,094,399)</u> | <u>(11,896,491)</u> |
| 663,113 | (928,400) |
| (1,213,599) | (1,988,076) |
| <u>5,913,446</u> | <u>18,045,264</u> |
| <u>\$ 4,699,847</u> | <u>\$ 16,057,188</u> |

City of Muscatine, Iowa

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2021

| | |
|--|----------------|
| Net change in fund balances - total governmental funds | \$ (1,988,076) |
|--|----------------|

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:

| | |
|-------------------------------------|-------------|
| Capital asset purchases capitalized | 6,572,408 |
| Depreciation expense | (4,464,634) |

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position:

| | |
|------------------------------------|----------|
| Capital contributions - land | 125,308 |
| Capital contributions -art | 46,500 |
| Capital contributions -streets | 463,699 |
| Loss on disposal of capital assets | (80,600) |

| | |
|--|-----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 2,860,686 |
|--|-----------|

| | |
|--|-----------|
| Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years | (307,029) |
|--|-----------|

The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

| | |
|--|-----------|
| General obligation bond principal payments | 2,410,000 |
| Tax increment bond principal payments | 150,000 |
| Net effects of bond premiums, discounts, and deferred amounts on refunding | 101,273 |

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

| | |
|--|-------------|
| Change in compensated absences | (113,514) |
| Change in other post-employment benefits | (65,514) |
| Pension expense | (1,156,710) |
| Change in accrued interest payable | 13,769 |

Internal service funds are used by management to charge the costs of equipment services, central office supplies, health and dental insurance to individual funds. The net revenue (expense) of internal service funds is allocated between governmental and business-type activities in the Statement of Activities:

| | |
|---|----------|
| Net revenue (expense) of internal service funds | 97,390 |
| Allocation of net revenue (expense) to business-type activities | (87,728) |

| | |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 4,577,228</u></u> |
|---|----------------------------|

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2021

| | Business-type Activities - Enterprise Funds | | | | | | |
|--|---|---------------------|----------------------|--------------|------------------------------|---------------|---------------------------|
| | Water Pollution Control | Transfer Station | Refuse Collection | Airport | Other Enterprise Funds | Total | Internal Service Funds |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and pooled investments | \$ 10,909,540 | \$ 436,256 | \$ 45,492 | \$ 29,740 | \$ 925,436 | \$ 12,346,464 | \$ 2,529,608 |
| Investments | - | - | - | - | 704,631 | 704,631 | - |
| Receivables (net of allowance for uncollectibles): | | | | | | | |
| Interest | 496 | - | - | - | - | 496 | 142 |
| Accounts | 978,269 | 146,675 | 318,821 | 537 | 481,324 | 1,925,626 | 12,835 |
| Intergovernmental: | | | | | | | |
| Federal | - | - | - | 709,432 | 349,230 | 1,058,662 | - |
| State | 2,101 | - | - | 16,079 | - | 18,180 | - |
| Due from other funds | - | - | - | - | 1,080 | 1,080 | 2,030 |
| Inventories | - | - | - | - | 43,137 | 43,137 | 127,203 |
| Prepaid items | - | - | - | - | 10,616 | 10,616 | - |
| Total current assets | 11,890,406 | 582,931 | 364,313 | 755,788 | 2,515,454 | 16,108,892 | 2,671,818 |
| Noncurrent assets: | | | | | | | |
| Restricted cash and pooled investments | 128,687 | 33,825 | - | - | - | 162,512 | - |
| Assets held for resale | 172,517 | - | - | - | - | 172,517 | - |
| Capital assets: | | | | | | | |
| Land | 550,791 | 175,000 | - | 1,408,973 | 764,686 | 2,899,450 | - |
| Land improvements | 173,126 | 1,019,897 | - | 13,687,986 | 3,322,608 | 18,203,617 | - |
| Buildings and building improvements | 52,597,742 | 7,532,273 | 1,312,083 | 2,448,931 | 9,129,400 | 73,020,429 | - |
| Equipment | 5,393,650 | 705,320 | 133,695 | 585,795 | 1,172,018 | 7,990,478 | 238,244 |
| Vehicles | 1,225,623 | 644,667 | 1,212,811 | 117,342 | 1,747,065 | 4,947,508 | 67,145 |
| Infrastructure | 70,779,694 | - | - | - | - | 70,779,694 | - |
| Construction in progress | 1,087,857 | - | - | 1,285,489 | - | 2,373,346 | - |
| Less accumulated depreciation | (57,652,852) | (6,619,503) | (1,599,367) | (10,792,735) | (12,607,650) | (89,272,107) | (189,729) |
| Total capital assets net of accumulated depreciation | 74,155,631 | 3,457,654 | 1,059,222 | 8,741,781 | 3,528,127 | 90,942,415 | 115,660 |
| Total noncurrent assets | 74,456,835 | 3,491,479 | 1,059,222 | 8,741,781 | 3,528,127 | 91,277,444 | 115,660 |
| Total assets | 86,347,241 | 4,074,410 | 1,423,535 | 9,497,569 | 6,043,581 | 107,386,336 | 2,787,478 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Pension related deferred outflows | 313,748 | 36,411 | 100,356 | - | 306,170 | 756,685 | 46,357 |
| OPEB related deferred outflows | 36,358 | 5,295 | 10,186 | - | 15,179 | 67,018 | 5,755 |
| Total deferred outflows of resources | 350,106 | 41,706 | 110,542 | - | 321,349 | 823,703 | 52,112 |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accruals | 675,638 | 109,135 | 94,933 | 649,156 | 305,989 | 1,834,851 | 320,628 |
| Retainages payable | 111,072 | - | - | 50,256 | - | 161,328 | - |
| Compensated absences payable | 113,383 | 11,725 | 33,348 | - | 85,112 | 243,568 | 20,234 |
| Due to other funds | - | - | - | - | 1,080 | 1,080 | 2,030 |
| Deposits | - | - | - | - | 48,617 | 48,617 | - |
| Accrued interest payable | 18,059 | - | - | - | - | 18,059 | - |
| Escrow liability | - | - | - | - | 2,192 | 2,192 | - |
| Unearned revenue | - | - | 348 | 5,285 | 37,547 | 43,180 | 2,779 |
| State revolving fund loan | 747,000 | - | - | - | - | 747,000 | - |
| General obligation bonds | 70,000 | - | - | - | - | 70,000 | - |
| Total current liabilities | 1,735,152 | 120,860 | 128,629 | 704,697 | 480,537 | 3,169,875 | 345,671 |
| Noncurrent liabilities: | | | | | | | |
| General obligation bonds | 520,313 | - | - | - | - | 520,313 | - |
| State revolving fund loan | 8,941,000 | - | - | - | - | 8,941,000 | - |
| Compensated absences | 94,971 | 20,790 | 39,053 | - | 46,483 | 201,297 | 29,789 |
| Other post-employment benefits | 163,492 | 23,809 | 45,806 | - | 68,257 | 301,364 | 25,879 |
| Net pension liability | 1,383,542 | 165,662 | 461,092 | - | 1,178,231 | 3,188,527 | 204,637 |
| Transfer station closure obligation | - | 33,825 | - | - | - | 33,825 | - |
| Total noncurrent liabilities | 11,103,318 | 244,086 | 545,951 | - | 1,292,971 | 13,186,326 | 260,305 |
| Total liabilities | 12,838,470 | 364,946 | 674,580 | 704,697 | 1,773,508 | 16,356,201 | 605,976 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Pension related deferred inflows | 81,188 | 9,727 | 26,549 | - | 74,251 | 191,715 | 12,138 |
| OPEB related deferred inflows | 3,720 | 542 | 1,042 | - | 1,554 | 6,858 | 589 |
| Total deferred inflows of resources | 84,908 | 10,269 | 27,591 | - | 75,805 | 198,573 | 12,727 |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 63,877,318 | 3,457,654 | 1,059,222 | 8,741,781 | 3,528,127 | 80,664,102 | 115,660 |
| Restricted for: | | | | | | | |
| Debt service | 128,687 | - | - | - | - | 128,687 | - |
| Unrestricted | 9,767,964 | 283,247 | (227,316) | 51,091 | 987,490 | 10,862,476 | 2,105,227 |
| Total net position | \$ 73,773,969 | \$ 3,740,901 | \$ 831,906 | \$ 8,792,872 | \$ 4,515,617 | \$ 91,655,265 | \$ 2,220,887 |

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

**Reconciliation of Enterprise Funds Net Position
to the Net Position of Business-Type Activities**

June 30, 2021

| | |
|------------------------------------|---------------|
| Total enterprise fund net position | \$ 91,655,265 |
|------------------------------------|---------------|

Amounts reported for proprietary activities in the statement of net position are different because:

Internal service funds are used by management to charge the costs of certain services to individual funds. Internal service fund net position decreased during the year. A portion of this decrease has been allocated to business-type activities in the statement of net position

| |
|---------|
| 641,487 |
|---------|

| |
|--|
| Net position of business-type activities |
|--|

| |
|----------------------|
| <u>\$ 92,296,752</u> |
|----------------------|

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

| | Business-type Activities - Enterprise Funds | | | | | | |
|--|---|---------------------|----------------------|--------------|------------------------------|---------------|---------------------------|
| | Water Pollution Control | Transfer Station | Refuse Collection | Airport | Other Enterprise Funds | Total | Internal Service Funds |
| Operating revenues: | | | | | | | |
| Charges for sales and services | \$ 7,019,551 | \$ 2,184,189 | \$ 2,345,353 | \$ 77,910 | \$ 3,532,905 | \$ 15,159,908 | \$ 1,060,707 |
| Employer contributions | - | - | - | - | - | - | 3,248,926 |
| Employee contributions | - | - | - | - | - | - | 395,326 |
| Other contributions | - | - | - | - | - | - | 161,479 |
| Other | 362,615 | 11,635 | 21,322 | 9,430 | 140,004 | 545,006 | 5,631 |
| Total operating revenues | 7,382,166 | 2,195,824 | 2,366,675 | 87,340 | 3,672,909 | 15,704,914 | 4,872,069 |
| Operating expenses: | | | | | | | |
| Cost of sales and services: | | | | | | | |
| Personal services | 2,479,855 | 303,379 | 701,533 | - | 1,852,864 | 5,337,631 | 379,262 |
| Commodities | 369,693 | 29,594 | 62,274 | 8,115 | 466,895 | 936,571 | 485,390 |
| Contractual services | 2,171,138 | 1,642,227 | 1,341,326 | 101,140 | 1,084,438 | 6,340,269 | 3,830,504 |
| Administration | 243,900 | 3,900 | 94,100 | 10,300 | 147,100 | 499,300 | 22,400 |
| Depreciation | 2,638,248 | 299,271 | 120,952 | 317,847 | 457,910 | 3,834,228 | 6,434 |
| Total operating expenses | 7,902,834 | 2,278,371 | 2,320,185 | 437,402 | 4,009,207 | 16,947,999 | 4,723,990 |
| Operating income (loss) | (520,668) | (82,547) | 46,490 | (350,062) | (336,298) | (1,243,085) | 148,079 |
| Non-operating revenues (expenses): | | | | | | | |
| Intergovernmental | 1,429 | 644 | 40,980 | 46,500 | 1,378,156 | 1,467,709 | - |
| Interest revenue | 24,971 | 840 | 434 | 118 | 3,285 | 29,648 | 5,827 |
| Interest expense | (223,622) | - | - | - | - | (223,622) | - |
| Insurance recoveries | - | - | 42,615 | - | 59,600 | 102,215 | - |
| Non-operating revenues (expenses), net | (197,222) | 1,484 | 84,029 | 46,618 | 1,441,041 | 1,375,950 | 5,827 |
| Income (loss) before capital contributions and transfers | (717,890) | (81,063) | 130,519 | (303,444) | 1,104,743 | 132,865 | 153,906 |
| Capital contributions - grants | - | - | - | 1,117,993 | - | 1,117,993 | - |
| Capital contributions - government | - | - | - | - | 125,100 | 125,100 | - |
| Capital contributions - developers | 810,735 | - | - | - | - | 810,735 | - |
| Transfers in | 2,203,375 | 40,980 | - | - | 219,341 | 2,463,696 | - |
| Transfers out | - | - | (40,980) | - | (1,437,800) | (1,478,780) | (56,516) |
| Change in net position | 2,296,220 | (40,083) | 89,539 | 814,549 | 11,384 | 3,171,609 | 97,390 |
| Net position, June 30, 2020 | 71,477,749 | 3,780,984 | 742,367 | 7,978,323 | 4,504,233 | 88,483,656 | 2,123,497 |
| Net position, June 30, 2021 | \$ 73,773,969 | \$ 3,740,901 | \$ 831,906 | \$ 8,792,872 | \$ 4,515,617 | \$ 91,655,265 | \$ 2,220,887 |

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

**Reconciliation of the Change in Net Position of Enterprise Funds
to the Statement of Activities**

For the Year Ended June 30, 2021

| | |
|--|--------------|
| Change in net position in enterprise funds | \$ 3,171,609 |
|--|--------------|

Amounts reported for proprietary activities in the statement of activities
are different because:

Internal service funds are used by management to charge the costs of various
activities internally to individual funds. Internal service fund net position decreased during
the year. A portion of this decrease has been allocated to business-type activities
in the statement of net position

| |
|---------------|
| <u>87,728</u> |
|---------------|

| |
|--|
| Change in net position of business-type activities |
|--|

| |
|----------------------------|
| <u><u>\$ 3,259,337</u></u> |
|----------------------------|

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

| | Business-type Activities - Enterprise Funds | | | | | | |
|---|--|-----------------------------|------------------------------|-------------------------------|---------------------------------------|----------------------|-----------------------------------|
| | Water Pollution Control | Transfer Station | Refuse Collection | Airport Operations | Other Enterprise Funds | Total | Internal Service Funds |
| Cash flows from operating activities | | | | | | | |
| Receipts from customers and users | \$ 7,332,051 | \$ 2,197,444 | \$ 2,367,947 | \$ 88,636 | \$ 3,643,653 | \$ 15,629,731 | \$ - |
| Receipts from interfund services provided | - | - | - | - | - | - | 4,867,937 |
| Payments to suppliers | (2,400,449) | (1,643,545) | (1,371,866) | (109,028) | (1,453,633) | (6,978,521) | (4,270,169) |
| Payments to employees | (1,656,094) | (190,144) | (471,142) | - | (1,328,670) | (3,646,050) | (239,320) |
| Payments for employee benefits | (751,427) | (97,511) | (211,866) | - | (430,075) | (1,490,879) | (123,277) |
| Payments for interfund services used | (258,135) | (13,976) | (131,355) | (10,300) | (278,037) | (691,803) | (22,400) |
| Net cash provided (used) by operating activities | <u>2,265,946</u> | <u>252,268</u> | <u>181,718</u> | <u>(30,692)</u> | <u>153,238</u> | <u>2,822,478</u> | <u>212,771</u> |
| Cash flows from noncapital financing activities | | | | | | | |
| Transfers to other funds | - | - | (40,980) | - | (1,437,800) | (1,478,780) | (56,516) |
| Transfers from other funds | 2,203,375 | 40,980 | - | - | 219,341 | 2,463,696 | - |
| Advances from other funds | - | - | - | - | 1,080 | 1,080 | 2,030 |
| Advances to other funds | - | - | - | - | (1,080) | (1,080) | (2,030) |
| Repayment of advances from other funds | - | - | - | (242,558) | - | (242,558) | (1,506) |
| Repayment of advances to other funds | 242,558 | - | - | - | - | 242,558 | 31,152 |
| Subsidies from federal, state and local grants | 1,427 | 644 | 40,980 | 46,500 | 1,125,317 | 1,214,868 | - |
| Net cash provided (used) by noncapital financing activities | <u>2,447,360</u> | <u>41,624</u> | <u>-</u> | <u>(196,058)</u> | <u>(93,142)</u> | <u>2,199,784</u> | <u>(26,870)</u> |
| Cash flows from capital and related financing activities | | | | | | | |
| Capital contributions | - | - | - | 910,076 | 125,100 | 1,035,176 | - |
| Purchase of capital assets | (2,626,882) | (46,483) | (234,750) | (653,704) | (221,798) | (3,783,617) | (107,837) |
| Principal paid on capital debt | (788,000) | - | - | - | - | (788,000) | - |
| Interest paid on capital debt | (233,770) | - | - | - | - | (233,770) | - |
| Insurance reimbursement | - | - | 42,615 | - | 59,600 | 102,215 | - |
| Net cash provided (used) by capital and related financing activities | <u>(3,648,652)</u> | <u>(46,483)</u> | <u>(192,135)</u> | <u>256,372</u> | <u>(37,098)</u> | <u>(3,667,996)</u> | <u>(107,837)</u> |
| Cash flows from investing activities | | | | | | | |
| Proceeds from sales and maturities of investments | - | - | - | - | 585,010 | 585,010 | - |
| Purchase of investments | - | - | - | - | (742,889) | (742,889) | - |
| Interest received | 56,709 | 1,180 | 877 | 118 | 6,082 | 64,966 | 12,645 |
| Net cash provided (used) by investing activities | <u>56,709</u> | <u>1,180</u> | <u>877</u> | <u>118</u> | <u>(151,797)</u> | <u>(92,913)</u> | <u>12,645</u> |
| Net increase (decrease) in cash and pooled investments | 1,121,363 | 248,589 | (9,540) | 29,740 | (128,799) | 1,261,353 | 90,709 |
| Cash and pooled investments, June 30, 2020 | <u>9,916,864</u> | <u>221,492</u> | <u>55,032</u> | <u>-</u> | <u>1,054,235</u> | <u>11,247,623</u> | <u>2,438,899</u> |
| Cash and pooled investments, June 30, 2021 | <u>\$ 11,038,227</u> | <u>\$ 470,081</u> | <u>\$ 45,492</u> | <u>\$ 29,740</u> | <u>\$ 925,436</u> | <u>\$ 12,508,976</u> | <u>\$ 2,529,608</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Cash flows from operating activities: | | | | | | | |
| Operating income (loss) | \$ (520,668) | \$ (82,547) | \$ 46,490 | \$ (350,062) | \$ (336,298) | \$ (1,243,085) | \$ 148,079 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | |
| Depreciation | 2,638,248 | 299,271 | 120,952 | 317,847 | 457,910 | 3,834,228 | 6,434 |
| Changes in assets and liabilities: | | | | | | | |
| (Increase) decrease in: | | | | | | | |
| Accounts receivable | (50,115) | 1,620 | 972 | (416) | (9,606) | (57,545) | (4,132) |
| Prepaid expenses | - | - | - | - | (6,216) | (6,216) | - |
| Inventories | - | - | - | - | (7,251) | (7,251) | (35,193) |
| Pension related deferred outflows | (15,943) | (1,748) | (2,432) | - | (24,876) | (44,999) | (696) |
| OPEB related deferred outflows | 194 | 28 | 55 | - | 948 | 1,225 | 31 |
| Increase (decrease) in: | | | | | | | |
| Accounts payable and accruals | 133,374 | 19,685 | (2,333) | 227 | (3,412) | 147,541 | 79,910 |
| Compensated absences payable | 10,777 | 7,579 | 76 | - | 8,602 | 27,034 | 6,669 |
| Other post-employment benefits | 7,696 | 1,121 | 2,156 | - | (485) | 10,488 | 1,218 |
| Deferred revenue | - | - | 300 | 1,712 | (12,783) | (10,771) | 2,779 |
| Deposits | - | - | - | - | (650) | (650) | - |
| Net pension liability | 182,691 | 21,154 | 56,730 | - | 157,388 | 417,963 | 26,923 |
| Pension related deferred inflows | (121,758) | (14,106) | (41,654) | - | (70,584) | (248,102) | (19,481) |
| OPEB related deferred inflows | 1,450 | 211 | 406 | - | 551 | 2,618 | 230 |
| Total adjustments | <u>2,786,614</u> | <u>334,815</u> | <u>135,228</u> | <u>319,370</u> | <u>489,536</u> | <u>4,065,563</u> | <u>64,692</u> |
| Net cash provided (used) by operating activities | <u>\$ 2,265,946</u> | <u>\$ 252,268</u> | <u>\$ 181,718</u> | <u>\$ (30,692)</u> | <u>\$ 153,238</u> | <u>\$ 2,822,478</u> | <u>\$ 212,771</u> |
| Non-cash capital and related financing activities: | | | | | | | |
| Contribution of capital asset from developer | \$ 810,735 | \$ - | \$ - | \$ - | \$ - | \$ 810,735 | \$ - |

The notes to the financial statements are an integral part of this statement.

CITY OF MUSCATINE, IOWA
NOTES TO FINANCIAL STATEMENTS

June 30, 2021

The notes to the financial statements contain a summary of significant accounting policies and other information considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Deposits and Investments
3. Interfund Receivables, Payables, and Transfers
4. Capital Assets
5. Long-Term Debt
6. Landfill Closure and Postclosure Care Cost
7. Retirement Systems
8. Deficit Fund Equity
9. Post-Employment Benefits Other than Pensions (OPEB)
10. Industrial Revenue Bonds
11. Risk Management
12. Commitments and Contingencies
13. Urban Renewal Development Agreements and Tax Abatements
14. Pending Governmental Accounting Standards Board (GASB) Standards
15. Subsequent Event

CITY OF MUSCATINE, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Muscatine, Iowa, was chartered in 1851 under the laws of the state of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a Mayor/Council/City Administrator form of government and provides a broad range of services to its residents, including general government, public safety, public works, community development, and cultural and park facilities. The City also operates an airport, parking facilities, public housing facilities, transit system, sewer and sanitation utilities, a municipal golf course, public library, and a municipal museum and art center.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Muscatine and its component units, entities for which the City is considered to be financially accountable. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Units

Muscatine County Solid Waste Agency (Agency). The Agency has been organized as a joint venture under Chapter 28E of the Code of Iowa between the City of Muscatine; Muscatine County; and the municipalities of Fruitland, Stockton, West Liberty, Nichols, Conesville, and Atalissa, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

The City of Muscatine appoints a representative to the Agency's governing board whose vote (based on the City's population) accounts for 56% of the board's voting authority. A two-thirds vote is required for board action; therefore, the City does not appoint a voting majority of the Agency's governing board. Nonetheless, the Agency is considered a component unit of the City because of its fiscal dependence on the City, the financial benefit/burden relationship, and the City's ability to impose its will on the Agency. The City is financially accountable for the Agency and can significantly influence the Agency. The City Council approves the Agency's budget, sets its rates, and approves any debt issuances. See also note to landfill closure and postclosure care costs regarding the City's ongoing financial relationship.

The Agency has a June 30 year-end. Separate financial statements are not issued for the Agency, and the Agency accounts for all of its financial transactions in a single fund.

Muscatine Power & Water (MP&W). MP&W is a municipal utility which provides water, electric, and communication service to users within the City of Muscatine and in other urban and rural areas within Muscatine County. MP&W's governing board is appointed by the City Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City.

MP&W has a December 31 year-end. Complete financial statements for MP&W may be obtained at its administrative offices at Muscatine Power & Water, 3205 Cedar Street, Muscatine, Iowa 52761.

Joint Venture

The City is a member organization along with Muscatine County and Muscatine Power and Water in a joint venture organized under Chapter 28E of the Iowa Code to develop and operate the Muscatine Area Geographic Information Consortium (MAGIC). The purpose of MAGIC is to improve the efficiency and effectiveness of its member organizations through the coordinated development of geographic and land information systems technology and data. A six-member board composed of two appointees from each member organization governs MAGIC. Each member organization has one vote on all matters. Each member organization is responsible for one-third of the operating expenses incurred by MAGIC. In the event MAGIC is terminated, the material benefits realized from the liquidation of any and all of its assets shall be divided among the participating organizations on a pro rata basis after any and all claims against MAGIC have been satisfied. The intent of the organization is not to accumulate excess funds and based upon the balance at year end the future contributions are adjusted accordingly. In accordance with the Governmental Accounting Standards Board's *Codification*, a claim to assets upon the joint venture's dissolution is not considered to be an equity interest. Therefore no investment in the joint venture is reported on the face of the financial statements of the City. There are no separately issued financial statements for this joint venture.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Joint Communications Commission; Muscatine County/Municipal Disaster Services Board; Muscatine Island Flood Control Commission; Muscatine County Assessor's Conference Board; and Muscatine County Drug Task Force.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted for. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and all other revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The City has determined that there are various revenues, except for property tax revenues, including reimbursement of expenditures that are received between 60 and 90 days and therefore have adopted a 90 day availability period in order to keep the revenues and expenditures in the same current period.

However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied and budgeted for, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 90 days after year-end. Income and other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures, and miscellaneous revenue are recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *employee benefits fund* accounts for property taxes levied for police and fire retirement contributions, FICA and IPERS, and other employee benefits, as provided in Section 384.6 of the Code of Iowa.

The *local option sales tax fund* accounts for revenue from the 1% local option tax. Effective July 1, 2009, voters approved using up to 20% of future local option tax for the City's pavement management program with the remaining funds to be used for storm and sanitary sewer improvements.

The *road use tax fund* accounts for road use tax allocated to the city to be used to maintain and improve the City's street system.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *other street improvements fund* accounts for major street reconstruction or improvement projects.

The government reports the following major proprietary funds:

The *water pollution control fund* accounts for the operation of a municipally owned sewer treatment plant which provides services to the City. All activities necessary for such services are provided for in this fund as well as plant and various sewer system improvement projects.

The *transfer station fund* accounts for the operation of the refuse transfer station and recycling center.

The *refuse collection fund* accounts for the collection of solid waste from residential property in the City as well as from some commercial customers.

The *airport fund* accounts for the activities of the Municipal Airport. This activity is supported by user charges and a subsidy from the general fund.

Additionally, the government reports the following fund type:

Internal service funds account for equipment services, central supply distribution, and employee health and dental benefits provided to other departments of the government on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer and transfer station functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the City, the Agency, and MP&W to invest public funds in obligations of the United States government and its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City is authorized by the City Council to invest in obligations of the United States government and its agencies and instrumentalities; in certificates of deposit or other evidences of deposit at federally insured depository institutions; and investments in joint investment trusts authorized by resolution of the City Council.

Investments of the City, the Agency, and Muscatine Power & Water are stated at fair value with the exception of the investment in the Iowa Public Agency Investment Trust which is stated at amortized cost, which approximates fair value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable amount in the General Fund to indicate they are not available for appropriation and are not available financial resources.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2021, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2020 and March 31, 2021. Any County collections on the 2020-2021 tax levy remitted to the City within sixty days subsequent to June 30, 2021, are recorded as property tax revenues in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2021, are delinquent and have been recorded as receivables and deferred inflows of resources in the governmental fund statements. By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources and will not be recognized as revenue until the year for which it is levied and budgeted for in both the governmental fund statements and the government-wide statements.

3. Inventories and Prepaid Items

Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. The City's inventories are valued at cost using the weighted average cost method. MP&W's inventories are also valued at their weighted average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Restricted assets of the Transfer Station fund represents amounts set aside under law to provide for Transfer Station closure costs. Transfer Station assets of \$33,825 at June 30, 2021 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Restricted assets of the Water Pollution Control fund represents amounts set aside as required under the State Revolving Fund loan to pay interest and principal of the bonds and any parity obligations. Water Pollution Control assets of \$128,687 at June 30, 2021 are classified as restricted because their use is restricted under the State Revolving Fund loan.

Restricted assets of the Muscatine County Solid Waste Agency represent amounts set aside under law to provide for the cost of future landfill closure and post-closure costs. Solid Waste Agency assets of \$2,594,476, at June 30, 2021 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

Muscatine Power & Water's restricted assets represent amounts set aside under the terms of the water loan agreement. In accordance with the covenants of the bond resolutions, the amounts have been segregated into a bond sinking fund. In accordance with the loan agreement, the sinking fund is used solely for the purpose of paying the interest on and principal of the outstanding loan. The composition of the restricted assets at December 31, 2020 relates to the water utility sinking fund of \$947,250.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position and in the proprietary funds statement of net position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Land improvements | 10-50 |
| Buildings | 15-40 |
| Building improvements | 5-40 |
| Equipment | 4-20 |
| Vehicles | 4-15 |
| Sewer system | 50 |
| Infrastructure | 7-75 |

MP&W's utility plant is stated at original cost, which includes the cost of contracted services, material, labor, overhead, and on significant projects, an allowance for borrowed funds used during construction. Capital assets are generally defined by the utility as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year.

6. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: the pension related deferred outflows and OPEB related deferred outflows.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon retirement or termination. Sick pay is payable upon retirement, in which event employees are paid for 40% of all eligible hours. Beginning July 1, 2000, retirement sick pay for non-union employees is paid to a post-employment health plan to be used for health care cost of the retirees. Beginning July 1, 2001, retirement sick pay for Fire bargaining unit and Blue/White Collar bargaining unit employees is also paid to the post employment health plan. For the Blue/White Collar bargaining unit, accrued vacation pay at retirement is also paid to the post employment health plan. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time the debt is incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred Inflows of Resources and Unearned Revenue

Deferred Inflows of Resources: In addition to liabilities, the statement of net position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from three sources: property taxes, other taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the City's government-wide statements, only the property tax revenues remain a deferred inflow and will become an inflow in the year they are levied and budgeted for. The City also reports pension related deferred inflows and OPEB related deferred inflows in the government-wide statements and the proprietary fund statements.

Unearned Revenues: Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The Muscatine Power & Water electric utility's unearned revenue is a result of prepayments for a land lease, capacity sales, and renewable energy credits. MP&W's water utility's unearned revenue is deposits received for future construction projects. MP&W's communications utility's unearned revenue is a result of a 20-year contract to lease dark fiber to Iowa Health System, and a contract for municipal area network service.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

11. Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, state or federal laws, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through resolutions approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts constrained by the City's intent to use them for a specific purpose. The City's fund balance policy dated November 7, 2013 provides that assigned uses of fund balances can be established by the City Council, City Administrator, or Finance Director.

Unassigned – All amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, then unassigned.

12. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. As of June 30, 2021, there were unspent bond proceeds totaling \$1,804,774 in governmental activities. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted through enabling legislation consists of \$2,763,455 for public works, \$213,065 for employee benefits, \$10,935 for public safety, and \$1,034,367 for tax increment financing projects.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTE 2. DEPOSITS AND INVESTMENTS

The deposits and investments of the Solid Waste Agency are pooled with those of the City. Disclosures referring to deposits and investments of the City include the pooled amounts belonging to the Agency.

As of June 30, 2021, the deposits and investments of the City consist of the following:

| | |
|-------------------------------------|----------------------|
| Petty cash and undeposited cash | \$ 31,684 |
| Cash in bank | 1,125,878 |
| Savings accounts | 49,961 |
| Money market accounts | 5,719,516 |
| Iowa Public Agency Investment Trust | 25,148,115 |
| Certificates of deposit | 4,568,548 |
| | <u>\$ 36,643,702</u> |

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The City has investments in IPAIT which were valued at an amortized cost of \$25,148,115 pursuant to Rule 2 a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the IPAIT investments.

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City’s investment policy provides that City funds may be invested in interest bearing money market accounts, interest bearing checking accounts, and certificates of deposit at any approved bank in the State of Iowa. Approved banks must be on the list of banks approved for public investments by the Treasurer of the State of Iowa and investments must be entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. City funds may also be invested in obligations of the United States government, its agencies and instrumentalities, and in the Iowa Public Agency Investment Trust (IPAIT). The City’s investment in IPAIT is unrated.

Concentration of credit risk – The City’s investment policy is to diversify its investment portfolio. Assets shall be diversified, where possible, to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Custodial credit risk – deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2021 the carrying amount of the City’s deposits with financial institutions totaled \$36,616,655 and the bank balances were \$36,648,340. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

Muscatine Power and Water

As of December 31, 2020 MP&W's deposits were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

It is the policy of Muscatine Power & Water to maintain all deposits and investments in authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utility will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held at December 31, 2020 were considered to be in risk category one (investments held in trust on behalf of the utility), therefore, not subject to custodial credit risk.

It is the policy of the utility to maintain all deposits and investments in authorized investment vehicles that are insured or registered in the utility's name or which are collateralized by or evidenced by securities held by the utility or its agent in the utility's name.

Credit Risk – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. It is the policy of the utility to have securities held by the utility or a third party custodian and rated within the highest or second highest rating category of a nationally recognized rating agency. As of December 31, 2020, the utility had no investments subject to credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. It is the policy of the utility to diversify its investment portfolio. Assets are diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. At December 31, 2020, the utilities had no investments subject to concentration of credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2020, the utility had no investments subject to interest rate risk.

The utility's investment policy addresses maturity limitations by requiring operating funds to be invested in instruments that mature within 397 days. Non-operating funds may be invested in instruments with maturities longer than 397 days as long as the maturities are consistent with the needs and use of the utility. One of the investment policy's primary objectives is to maintain the necessary liquidity to match expected liabilities.

NOTE 3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2021 consist of the following:

| | Due from/advance to | | | |
|----------------------------|---------------------|---------------------|------------------|-----------------|
| | General | Nonmajor Enterprise | Internal Service | Totals |
| Due to/Advance from | | | | |
| Nonmajor Governmental | \$ 1,286 | \$ - | \$ - | \$ 1,286 |
| Nonmajor enterprise | - | 1,080 | - | 1,080 |
| Internal service | - | - | 2,030 | 2,030 |
| Total | \$ 1,286 | \$ 1,080 | \$ 2,030 | \$ 4,396 |

These balances result from (1) working capital for inventory in the enterprise and internal service funds, and (2) the time lag of receipts into various funds.

Interfund transfers for the year are as follows:

| | Transfers from | | | | | | | | |
|---------------------------|-------------------|---------------------|------------------------|---------------------|-----------------------|-------------------|---------------------|------------------|----------------------|
| | General | Employee Benefits | Local Option Sales Tax | Road Use Tax | Nonmajor Governmental | Refuse Collection | Nonmajor Enterprise | Internal Service | Totals |
| Transfers to | | | | | | | | | |
| General | \$ - | \$ 4,534,058 | \$ - | \$ 2,598,646 | \$ 235,639 | \$ - | \$ 1,437,800 | \$ 56,516 | \$ 8,862,659 |
| Debt service | - | - | - | - | 347,734 | - | - | - | 347,734 |
| Other street improvements | - | - | - | 186 | - | - | - | - | 186 |
| Nonmajor governmental | - | - | 738,879 | 507,607 | 511,026 | - | - | - | 1,757,512 |
| Water pollution control | - | - | 2,203,375 | - | - | - | - | - | 2,203,375 |
| Transfer station | - | - | - | - | - | 40,980 | - | - | 40,980 |
| Nonmajor enterprise | 219,341 | - | - | - | - | - | - | - | 219,341 |
| Total | \$ 219,341 | \$ 4,534,058 | \$ 2,942,254 | \$ 3,106,439 | \$ 1,094,399 | \$ 40,980 | \$ 1,437,800 | \$ 56,516 | \$ 13,431,787 |

Transfers are used to move revenues from the fund that State statutes or the budget requires them to be collected in to the fund that State statutes or the budget requires them to be expended.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 is as follows:

Primary government

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|-----------------------|------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 11,672,111 | \$ 35,308 | \$ (60,500) | \$ - | \$ 11,646,919 |
| Art work | 7,748,026 | 46,500 | - | - | 7,794,526 |
| Construction in progress | <u>6,295,824</u> | <u>6,070,248</u> | <u>(5,352,082)</u> | <u>-</u> | <u>7,013,990</u> |
| Total capital assets, not being depreciated | <u>25,715,961</u> | <u>6,152,056</u> | <u>(5,412,582)</u> | <u>-</u> | <u>26,455,435</u> |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 20,808,148 | 1,680,060 | - | - | 22,488,208 |
| Buildings | 10,816,354 | - | (460,393) | - | 10,355,961 |
| Building improvements | 5,642,340 | 100,454 | - | - | 5,742,794 |
| Equipment | 6,809,618 | 636,665 | (11,386) | (5,256) | 7,429,641 |
| Vehicles | 6,440,424 | 160,502 | (74,407) | - | 6,526,519 |
| Other Assets | 42,992 | - | - | - | 42,992 |
| Infrastructure | <u>87,658,163</u> | <u>3,938,097</u> | <u>-</u> | <u>-</u> | <u>91,596,260</u> |
| Total capital assets, being depreciated | <u>138,218,039</u> | <u>6,515,778</u> | <u>(546,186)</u> | <u>(5,256)</u> | <u>144,182,375</u> |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (13,590,393) | (715,900) | - | - | (14,306,293) |
| Buildings | (6,611,900) | (229,838) | 440,293 | - | (6,401,445) |
| Building improvements | (2,068,213) | (245,486) | - | - | (2,313,699) |
| Equipment | (4,998,984) | (370,574) | 11,386 | 5,256 | (5,352,916) |
| Vehicles | (3,944,523) | (387,276) | 74,407 | - | (4,257,392) |
| Other Assets | (29,980) | (4,005) | - | - | (33,985) |
| Infrastructure | <u>(46,921,971)</u> | <u>(2,517,989)</u> | <u>-</u> | <u>-</u> | <u>(49,439,960)</u> |
| Total accumulated depreciation | <u>(78,165,964)</u> | <u>(4,471,068)</u> | <u>526,086</u> | <u>5,256</u> | <u>(82,105,690)</u> |
| Total capital assets, being depreciated, net | <u>60,052,075</u> | <u>2,044,710</u> | <u>(20,100)</u> | <u>-</u> | <u>62,076,685</u> |
| Governmental activities capital assets, net | <u>\$ 85,768,036</u> | <u>\$ 8,196,766</u> | <u>\$ (5,432,682)</u> | <u>\$ -</u> | <u>\$ 88,532,120</u> |

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|------------------------------|---------------------|-----------------------|------------------|---------------------------|
| Business-type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 2,899,450 | \$ - | \$ - | \$ - | \$ 2,899,450 |
| Construction in progress | 2,037,675 | 3,215,469 | (2,879,798) | - | 2,373,346 |
| Total capital assets, not being depreciated | 4,937,125 | 3,215,469 | (2,879,798) | - | 5,272,796 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 17,801,753 | 401,864 | - | - | 18,203,617 |
| Buildings | 64,769,874 | 772,567 | - | - | 65,542,441 |
| Building improvements | 7,393,243 | 84,745 | - | - | 7,477,988 |
| Equipment | 7,892,486 | 127,486 | (34,750) | 5,256 | 7,990,478 |
| Vehicles | 4,723,281 | 234,750 | (10,523) | - | 4,947,508 |
| Sewer system | 68,078,892 | 2,700,802 | - | - | 70,779,694 |
| Total capital assets, being depreciated | 170,659,529 | 4,322,214 | (45,273) | 5,256 | 174,941,726 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (12,426,585) | (323,880) | - | - | (12,750,465) |
| Buildings | (39,741,100) | (1,148,278) | - | - | (40,889,378) |
| Building improvements | (3,568,458) | (204,977) | - | - | (3,773,435) |
| Equipment | (5,140,568) | (431,608) | 34,750 | (5,256) | (5,542,682) |
| Vehicles | (2,887,658) | (346,368) | 10,523 | - | (3,223,503) |
| Sewer system | (21,713,527) | (1,379,117) | - | - | (23,092,644) |
| Total accumulated depreciation | (85,477,896) | (3,834,228) | 45,273 | (5,256) | (89,272,107) |
| Total capital assets, being depreciated, net | 85,181,633 | 487,986 | - | - | 85,669,619 |
| Business type activities capital assets, net | <u>\$ 90,118,758</u> | <u>\$ 3,703,455</u> | <u>\$ (2,879,798)</u> | <u>\$ -</u> | <u>\$ 90,942,415</u> |

Depreciation expense was charged to functions of the primary government as follows:

| | |
|---|---------------------|
| Governmental activities: | |
| Public safety | \$ 451,746 |
| Public works | 2,960,162 |
| Culture and recreation | 958,199 |
| Community and economic development | 1,005 |
| General government | 93,522 |
| Capital assets held by the Government's internal service funds are charged to the various functions based on their usage of the assets | 6,434 |
| Total depreciation expense - governmental activities | <u>\$ 4,471,068</u> |
| Business-type activities: | |
| Water pollution control | \$ 2,638,248 |
| Refuse collection | 120,952 |
| Transfer station | 299,271 |
| Airport | 317,847 |
| Parking | 40,390 |
| Transit | 98,817 |
| Golf course | 56,409 |
| Boat harbor | 14,765 |
| Ambulance | 115,914 |
| Public housing | 131,615 |
| Total depreciation expense - business-type activities | <u>\$ 3,834,228</u> |

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2021 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|---------------------|------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,080,608 | \$ - | \$ - | \$ 1,080,608 |
| Total capital assets, not being depreciated | 1,080,608 | - | - | 1,080,608 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 2,726,364 | - | - | 2,726,364 |
| Buildings | 37,314 | - | - | 37,314 |
| Building improvements | 38,784 | - | - | 38,784 |
| Equipment | 81,566 | - | - | 81,566 |
| Leachate collection system | 663,435 | - | - | 663,435 |
| Total capital assets, being depreciated | 3,547,463 | - | - | 3,547,463 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (2,124,347) | (116,123) | - | (2,240,470) |
| Buildings | (23,789) | (933) | - | (24,722) |
| Building improvements | (5,387) | (2,154) | - | (7,541) |
| Equipment | (38,882) | (6,497) | - | (45,379) |
| Leachate collection system | (432,140) | (21,419) | - | (453,559) |
| Total accumulated depreciation | (2,624,545) | (147,126) | - | (2,771,671) |
| Total capital assets, being depreciated, net | 922,918 | (147,126) | - | 775,792 |
| Solid Waste Agency capital assets, net | <u>\$ 2,003,526</u> | <u>\$ (147,126)</u> | <u>\$ -</u> | <u>\$ 1,856,400</u> |

Activity for Muscatine Power & Water for the year ended December 31, 2020 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|----------------------|------------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land and land rights | \$ 5,659,016 | \$ - | (2,876) | \$ 5,656,140 |
| Construction work in progress | 5,150,684 | 16,407,486 | (11,108,358) | 10,449,812 |
| Total capital assets, not being depreciated | 10,809,700 | 16,407,486 | (11,111,234) | 16,105,952 |
| Capital assets being depreciated: | | | | |
| Generation plant | 329,064,529 | 397,176 | (2,210,774) | 327,250,931 |
| Transmission and distribution plant | 72,420,134 | 3,410,887 | (51,473) | 75,779,548 |
| General plant | 31,330,432 | 1,811,765 | (1,142,247) | 31,999,950 |
| Source of supply | 4,061,729 | - | - | 4,061,729 |
| Pumping equipment | 2,590,943 | - | - | 2,590,943 |
| Purification equipment | 2,886,020 | 99,476 | - | 2,985,496 |
| Distribution system | 24,428,308 | 1,890,409 | (816,234) | 25,502,483 |
| Network operations plant | 43,188,615 | 5,027,401 | (1,935,607) | 46,280,409 |
| Total capital assets being depreciated | 509,970,710 | 12,637,114 | (6,156,335) | 516,451,489 |
| Less accumulated depreciation for: | | | | |
| Generation plant | (288,154,407) | 3,747,452 | (2,152,188) | (289,749,671) |
| Transmission and distribution plant | (58,010,488) | 774,833 | (51,473) | (58,733,848) |
| General plant | (24,451,295) | 750,161 | (1,118,069) | (24,083,387) |
| Source of supply | (1,799,142) | 98,164 | - | (1,897,306) |
| Pumping equipment | (985,972) | 72,040 | - | (1,058,012) |
| Purification equipment | (984,962) | 54,627 | - | (1,039,589) |
| Distribution system | (6,910,037) | 578,846 | (816,233) | (6,672,650) |
| Network operations plant | (24,559,562) | 2,633,954 | (1,934,830) | (25,258,686) |
| Total accumulated depreciation | (405,855,865) | 8,710,077 | (6,072,793) | (408,493,149) |
| Total capital assets, being depreciated net | 104,114,845 | 21,347,191 | (12,229,128) | 107,958,340 |
| Muscatine Power & Water capital assets, net | <u>\$ 114,924,545</u> | <u>\$ 37,754,677</u> | <u>\$ (23,340,362)</u> | <u>\$ 124,064,292</u> |

NOTE 5. LONG-TERM DEBT

General Obligation Bonds. The general obligation bonds outstanding as of June 30, 2021 total \$13,489,496. These bonds bear interest at rates ranging from 1.70% to 5.0%.

General obligation bonds as of June 30, 2021 consist of the following individual issues:

| | Issue Date | Amount Issued | Interest Rates | Balance 06/30/21 | Governmental Activities | Business-Type Activities |
|---------------------------------|---------------|------------------|-------------------|----------------------|----------------------------|-----------------------------|
| General obligation bonds: | | | | | | |
| General corporate | 06/01/12 | \$ 4,715,000 | 1.70-1.90 | \$ 580,000 (1) | \$ 580,000 | \$ - |
| General corporate | 06/01/14 | 2,575,000 | 2.00-2.10 | 1,196,517 (2) | 1,196,517 | - |
| General corporate and refunding | 05/26/16 | 4,550,000 | 2.00-2.50 | 2,318,818 (3) | 2,318,818 | - |
| General corporate | 05/23/18 | 4,090,000 | 3.00-5.00 | 3,683,473 (4) | 3,093,160 | 590,313 |
| General corporate | 05/07/20 | 6,310,000 | 2.00 | 5,710,688 (5) | 5,710,688 | - |
| Totals | | | | <u>\$ 13,489,496</u> | <u>\$ 12,899,183</u> | <u>\$ 590,313</u> |

1. No premium or discount
2. Net of unamortized premium of \$6,517
3. Net of unamortized premium of \$68,818
4. Net of unamortized premium of \$188,473
5. Net of unamortized premium of \$100,688

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending | Governmental | | Business-Type | |
|-------------|----------------------|---------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest |
| June 30 | | | | |
| 2022 | 2,485,000 | 319,788 | 70,000 | 22,950 |
| 2023 | 1,785,000 | 261,218 | 75,000 | 20,150 |
| 2024 | 1,835,000 | 211,918 | 75,000 | 16,400 |
| 2025 | 1,475,000 | 162,813 | 80,000 | 12,650 |
| 2026 | 1,515,000 | 119,563 | 85,000 | 8,650 |
| 2027-2030 | 3,470,000 | 170,300 | 175,000 | 7,950 |
| | <u>\$ 12,565,000</u> | <u>\$ 1,245,600</u> | <u>\$ 560,000</u> | <u>\$ 88,750</u> |

Tax Increment Revenue Bonds. In June 2004 \$1,885,000 of tax increment bonds were issued to fund public improvements in the Southend Urban Renewal Area.

TIF Revenues Pledged. The City has pledged a portion of future urban renewal tax increment revenues to repay the Tax Increment Revenue Bonds noted above. The urban renewal tax increment revenues were projected to produce 100% of the debt service requirements over the life of the bonds. The bonds were paid in 2021. For the current year, principal and interest paid and total incremental tax revenues were \$158,700 and \$2,494,143, respectively.

State Revolving Fund (SRF) Revenue Loan. In November of 2008, the City entered into a State Revolving Fund Loan with the State of Iowa in the amount of \$16,500,000 to finance comprehensive improvements at the City's Water Pollution Control Plant. As of June 30, 2021, the loan balance is \$9,688,000. The original Loan had an interest rate of 3% and a loan servicing fee of .25% per annum of the principal amount of the loan outstanding. Effective December 1, 2018, the interest rate on this loan decreased to 1.75% plus the .25% loan servicing fee. Repayment of this loan is to come from future revenues of the Plant.

State Revolving Fund Loan Revenues Pledged. The City is required to establish, impose, adjust, and provide for the collection of fees to be charged to customers of the Water Pollution Control Plant to produce gross revenues at least sufficient to pay operating and maintenance costs of the plant and to leave a net balance equal to at least 110% of the principal and interest on all of the bonds and any other parity obligations due in such fiscal year as they become due. The City is also required to establish a Sewer Revenue Bond Sinking Fund into which there shall be set aside from net revenues, sufficient funds to pay interest on and principal of all of the bonds and any parity obligations as the same become due.

Annual debt service requirements for the state revolving fund revenue loan are as follows:

| Year Ending June 30 | Business-Type | | |
|------------------------|---------------------|---------------------|-------------------|
| | Principal | Interest | Fees |
| 2022 | \$ 747,000 | \$ 169,540 | \$ 24,220 |
| 2023 | 771,000 | 156,467 | 22,353 |
| 2024 | 796,000 | 142,975 | 20,425 |
| 2025 | 822,000 | 129,045 | 18,435 |
| 2026 | 849,000 | 114,660 | 16,380 |
| 2027 | 876,000 | 99,802 | 14,258 |
| 2028 | 905,000 | 84,472 | 12,068 |
| 2029 | 934,000 | 68,635 | 9,805 |
| 2030 | 964,000 | 52,290 | 7,470 |
| 2031 | 996,000 | 35,420 | 5,060 |
| 2032 | 1,028,000 | 17,990 | 2,570 |
| | <u>\$ 9,688,000</u> | <u>\$ 1,071,296</u> | <u>\$ 153,044</u> |

Long-term liability activity for the year ended June 30, 2021 was as follows:

Primary government

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 14,975,000 | \$ - | \$ (2,410,000) | \$ 12,565,000 | \$ 2,485,000 |
| Tax increment revenue bonds | 150,000 | - | (150,000) | - | - |
| Premiums/discounts | 435,456 | - | (101,273) | 334,183 | - |
| Total bonds payable | 15,560,456 | - | (2,661,273) | 12,899,183 | 2,485,000 |
| Compensated absences | 1,658,401 | 1,165,244 | (1,045,061) | 1,778,584 | 862,419 |
| Net pension liability | 15,203,780 | - | (2,713,809) | 12,489,971 | - |
| Other post-employment benefits liability | 979,163 | 58,723 | - | 1,037,886 | - |
| Governmental activity long-term liabilities | <u>\$ 33,401,800</u> | <u>\$ 1,223,967</u> | <u>\$ (6,420,143)</u> | <u>\$ 28,205,624</u> | <u>\$ 3,347,419</u> |
| Business-type activities: | | | | | |
| Bonds and loans payable: | | | | | |
| General obligation bonds | \$ 625,000 | \$ - | \$ (65,000) | \$ 560,000 | \$ 70,000 |
| State revolving fund loan premiums | 10,411,000 | - | (723,000) | 9,688,000 | 747,000 |
| Total bonds and loans payable | 39,039 | - | (8,726) | 30,313 | - |
| Compensated absences | 11,075,039 | - | (796,726) | 10,278,313 | 817,000 |
| Net pension liability | 417,831 | 355,113 | (328,076) | 444,868 | 243,568 |
| Other post-employment benefits liability | 2,770,564 | - | (417,963) | 2,352,601 | - |
| Closure/post-closure obligation | 290,876 | 10,488 | - | 301,364 | - |
| Business-type activity long-term liabilities | <u>33,825</u> | <u>-</u> | <u>-</u> | <u>33,825</u> | <u>-</u> |
| | <u>\$ 14,588,135</u> | <u>\$ 365,601</u> | <u>\$ (1,542,765)</u> | <u>\$ 13,410,971</u> | <u>\$ 1,060,568</u> |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$50,023, of internal service funds compensated absences are included in the above amounts. Pension liability and other post-employment benefits liability for the internal service funds of \$204,637 and \$25,879, respectively, have also been included with governmental activities.

The net pension liability and other post-employment benefits liability are generally liquidated by the general fund and employee benefits fund for governmental activities and the respective funds for business-type activities.

Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2021, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Compensated absences | \$ 3,629 | \$ 3,591 | \$ (3,629) | \$ 3,591 | \$ 1,926 |
| Closure/post-closure obligation | 3,942,881 | 149,393 | - | 4,092,274 | - |
| Total liabilities | <u>\$ 3,946,510</u> | <u>\$ 152,984</u> | <u>\$ (3,629)</u> | <u>\$ 4,095,865</u> | <u>\$ 1,926</u> |

Activity for Muscatine Power & Water for the year ended December 31, 2020, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|-------------------|---------------------------|
| Net pension liability | \$ 21,581,531 | \$ 1,094,532 | \$ (12,117,558) | \$ 10,558,505 |
| State revolving fund loan | 35,000 | - | (35,000) | - |
| Water revenue bonds | 14,110,000 | - | (390,000) | 13,720,000 |
| Unamortized bond premiums | 749,397 | - | (98,745) | 650,652 |
| Note payable to bank | 6,178,568 | 3,700,000 | (2,117,901) | 7,760,667 |
| Post-employment health benefit provision | 928,312 | 70,963 | (90,217) | 909,058 |
| Landfill closure and post-closure liability | 1,016,294 | 7,828 | - | 1,024,122 |
| Total long-term debt | 44,599,102 | \$ 4,873,323 | \$ (14,849,421) | 34,623,004 |
| Less current installments | <u>2,428,424</u> | | | <u>2,953,729</u> |
| Long-term debt, net of current portion | <u>\$ 42,170,678</u> | | | <u>\$ 31,669,275</u> |

On November 18, 2009, the utility closed on a loan from the Iowa Department of Natural Resources' State Drinking Water Revolving Loan Fund for the well motor control project. The loan was administered by the Iowa Finance Authority. The loan agreement provided for the borrowing of up to \$494,000. The total amount borrowed was \$399,000. The project qualified for ARRA (Stimulus Act) funding as a "green" water project of which \$93,000 was forgiven. The interest rate on the loan was 3.0% interest, plus a 0.25% servicing fee, with a 10-year repayment term. Interest payments are payable semi-annually and began June 1, 2010; principal payments began June 1, 2011 and were due annually. Final payment was made May 26, 2020.

In May 2017, the Board approved the issuance and securing the payment of future obligations for the purposes of borrowing money for constructing water improvements and extensions. The water utility issued \$14,865,000 Water Revenue Bonds, Series 2017 in June 2017 for that purpose. The premium bonds are A&P “A” rated, a non-bank qualified issue, callable June 1, 2027 at par. The effective interest cost is approximately 3.51%. The interest payments that are due each June 1 and December 1 began December 1, 2017. Principal payments are due annually on December 1 and began in 2018. Total outstanding bonds payable at December 31, 2020 was \$13,720,000.

Events of default are defined as either: 1) the non-payment of interest, principal, or premium when the same shall become due and payable, or 2) through a bankruptcy proceeding there is an admission of the inability to pay this debt, or 3) any event of default under any parity obligation or parity obligation issuance document. In the event of default, the principal of and the accrued interest on all bonds then outstanding will be due and payable immediately.

Prior to 2004, the electric utility advanced \$35,327,000 to the communications utility for capital improvements and acquisition of a cable television system. On November 25, 2014, the Board approved an amendment to this loan agreement that included loan forgiveness of \$25,327,000, changing the fixed interest rate from 3.53% to 0.50%, and modifying the amortization of the note from a 30-year period to a 20-year period. These new terms became effective January 1, 2015. Annual principal payments began January 1, 2016; semi-annual payments of interest are due each January 1 and July 1.

On December 14, 2017, the Communications Revenue Bond, Series 2017 (Series 2017 Bond) was signed with a local bank providing \$10,000,000 for telecommunications systems improvements and extensions to the municipal communications utility. Principal bears interest at the rate of 2.95% per annum. Both principal and interest are payable in nineteen equal quarterly installments of \$540,916 each, due on March 31, June 30, September 30, and December 31 in each of the years 2018 to 2022, plus a final payment due December 31, 2022. Upon default of the bond obligations, a proceeding may be brought in law or in equity by suit, action or mandamus to enforce compliance with the bond’s terms, or action may be brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa.

On September 8, 2020, the Communications Revenue Bond, Series 2020 was signed with a local bank providing \$3,700,000 for telecommunications systems improvements and extensions to the municipal communications utility. Principal bears interest at the rate of 2.73% per annum. Both principal and interest are payable in twenty-eight equal quarterly installments of \$145,860 each, due on March 30, June 30, September 30, and December 30, which began December 30, 2020; final payment is due September 30, 2027. Upon default of the bond obligations, a proceeding may be brought in law or in equity by suit, action or mandamus to enforce compliance with the bond’s terms, or action may be brought to obtain the appointment of a receiver to take possession of and operate the communications utility and to perform the duties required by the bond resolution and the Code of Iowa. This bond was issued as a first step of a refinancing of the Series 2017 Bond.

Annual debt service requirements for the revenue bonds and bank loan are as follows:

| Year Ending December 31 | Revenue Bonds | | Bank Loan | |
|----------------------------|----------------------|---------------------|---------------------|-------------------|
| | Principal Amount | Interest | Principal Amount | Interest |
| 2021 | \$400,000 | \$547,250 | \$2,553,729 | \$193,374 |
| 2022 | 410,000 | 535,250 | 2,616,039 | 118,304 |
| 2023 | 425,000 | 522,950 | 517,980 | 65,459 |
| 2024 | 445,000 | 501,700 | 532,266 | 51,172 |
| 2025 | 470,000 | 479,450 | 546,947 | 36,492 |
| 2026 | 490,000 | 455,950 | 562,032 | 21,407 |
| 2027 | 515,000 | 431,450 | 431,674 | 5,905 |
| 2028 | 535,000 | 410,850 | - | - |
| 2029 | 560,000 | 389,450 | - | - |
| 2039 | 615,000 | 367,050 | - | - |
| 2031-2035 | 3,170,000 | 1,525,250 | - | - |
| 2036-2040 | 3,900,000 | 837,000 | - | - |
| 2041-2042 | 1,785,000 | 107,800 | - | - |
| Totals | <u>\$ 13,720,000</u> | <u>\$ 7,111,400</u> | <u>\$ 7,760,667</u> | <u>\$ 492,113</u> |

Water utility revenues, net of specified operating expenses, are pledged as security of the water debt until fully paid. Principal and interest paid in 2020 and water utility net revenues are as follows:

| | <u>Water</u> |
|-----------------------------|--------------|
| Principal and interest paid | \$ 984,563 |
| Net revenues | 2,117,181 |

Annual future principal and interest payments are expected to require 45% of the water utility net revenues.

All MP&W communications utility revenues, net of specified operating expenses, are pledged as security of the communications bank loan beginning in 2018 until fully paid. Annual future principal and interest payments are expected to require 14% of communications utility net revenues.

Principal and interest paid in 2020 and communications utility net revenue, are as follows:

| | <u>Communications</u> |
|-----------------------------|-----------------------|
| Principal and interest paid | \$ 2,309,524 |
| Net revenues | 3,934,016 |

Restricted assets represent amounts set aside under the terms of the water bond and loan agreements. In accordance with the covenants of the bond resolutions, the amounts have been segregated into funds. In accordance with the bond and loan agreements, the bond fund and sinking fund are used solely for the purpose of paying the interest on and principal of the outstanding debt. The composition of the restricted assets at December 31, 2020 is as follows:

| | <u>Water Utility</u> |
|-------------------------|----------------------|
| Debt service reserve | \$ 947,250 |
| Sinking fund | <u>-</u> |
| Total restricted assets | <u>\$ 947,250</u> |

NOTE 6. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the Muscatine County Solid Waste Management Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,092,274 reported as landfill closure and post closure care liability at June 30, 2021, represents the cumulative amount reported to date based on the use of 78.0% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$1,156,512 as the remaining estimated capacity is filled over the 13 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2021. The Agency expects the currently-permitted landfill property to reach its capacity in 2034. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Financial assurances for closure and post-closure care is demonstrated through the Financial Test as specified in IAC 567 Chapter 113.14(6)f. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

NOTE 7. RETIREMENT SYSTEMS

Iowa Public Employees Retirement System (IPERS) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29 percent of covered payroll and the City and MP&W contributed 9.44 percent of covered payroll, for a total rate of 15.73 percent. Protection occupation members contributed 6.21 percent of covered payroll and the City contributed 9.61 percent of covered payroll for a total rate of 15.82 percent.

The City's contributions to IPERS for the year ended June 30, 2021 were \$828,218. The MP&W contributions for the year ended December 31, 2020 were \$82,972.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$7,343,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.1045333 percent, which was a decrease of 0.005587 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$1,080,292. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 8,395 | \$ 174,038 |
| Changes of assumptions | 377,695 | 43 |
| Net difference between projected and actual earnings on pension plan investments | 414,159 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 90,529 | 262,516 |
| City contributions subsequent to the measurement date | 828,218 | - |
| Total | <u>\$ 1,718,996</u> | <u>\$ 436,597</u> |

The \$828,218 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|-------------------|
| 2022 | \$ 56,276 |
| 2023 | 104,693 |
| 2024 | 113,885 |
| 2025 | 204,213 |
| 2026 | (24,886) |
| Total | <u>\$ 454,181</u> |

At December 31, 2020, MP&W reported a liability of \$708,117 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MP&W's proportion of the net pension liability was based on the utility's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, MP&W's collective proportion was 0.010151 percent, which was an increase of 0.001875 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the utility recognized IPERS expense of \$95,837. At December 31, 2020, MP&W reported deferred outflows of resources and deferred inflows of resources related to IPERS from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 782 | \$ 16,784 |
| Changes of assumptions | 36,347 | - |
| Net difference between projected and actual earnings on pension plan investments | 39,808 | - |
| Changes in proportion and differences between MP&W contributions and proportionate share of contributions | 168,129 | 39,833 |
| MP&W contributions subsequent to the measurement date | 43,719 | - |
| Total | <u>\$ 288,785</u> | <u>\$ 56,617</u> |

The \$43,719 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to IPERS will be recognized in the pension expense as follows:

| <u>Year Ended December 31,</u> | |
|--------------------------------|-------------------|
| 2021 | \$ 49,515 |
| 2022 | 44,093 |
| 2023 | 37,693 |
| 2024 | 30,198 |
| 2025 | 16,815 |
| 2026 | 10,135 |
| Total | <u>\$ 188,449</u> |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Rate of Inflation (effective June 30, 2017) | 2.60 percent per annum |
| Rates of salary increase (effective June 30, 2017) | 3.25 percent to 16.25 percent, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00 percent per annum, compounded annually, net of investment expense, including inflation |
| Wage growth (effective June 30, 2017) | 3.25 percent per annum based on 2.60 percent inflation and 0.65 percent real wage inflation |

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 employee and healthy annuitant tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-----------------------------|---|
| Domestic equity | 22.0% | 4.43% |
| International equity | 17.5% | 5.15% |
| Global smart beta equity | 6.0% | 4.87% |
| Core plus fixed income | 28.0% | -0.29% |
| Public credit | 3.5% | 2.29% |
| Cash | 1.0% | -0.78% |
| Private equity | 11.0% | 6.54% |
| Private real assets | 7.5% | 4.48% |
| Private credit | 3.0% | 3.11% |
| Total | <u>100%</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s and MP&W’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s and MP&W’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City’s and MP&W’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

| | 1% Decrease (6.0%) | Discount Rate (7.0%) | 1% Increase (8.0%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability | \$ 12,257,359 | \$ 7,343,188 | \$ 3,222,747 |
| | 1% Decrease (5.25%) | Discount Rate (6.25%) | 1% Increase (7.25%) |
| MP&W's proportionate share of the net pension liability | \$ 1,180,726 | \$ 708,117 | \$ 311,842 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2021, the City reported payables to the defined benefit pension plan of \$25,402 for legally required employer contributions and \$16,926 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

At December 31, 2020, MP&W reported payables to the defined benefit pension plan of \$9,774 for legally required employer contributions and \$5,959 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Municipal Fire and Police Retirement System of Iowa (MFPRSI) Pension Plan

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31 percent for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 were \$1,474,337.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans, (GASB 67). There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2021.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$13,762,928 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2020, the City's proportion was 1.725542 percent which was a decrease of 0.042594 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of \$2,518,575. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 378,406 | \$ 74,761 |
| Changes of assumptions | 340,924 | 16,420 |
| Net difference between projected and actual earnings on pension plan investments | 2,024,689 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 154,041 | 404,354 |
| City contributions subsequent to the measurement date | 1,474,337 | - |
| Total | <u>\$ 4,372,397</u> | <u>\$ 495,535</u> |

The \$1,474,337 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| 2022 | \$ 563,033 |
| 2023 | 741,378 |
| 2024 | 649,262 |
| 2025 | 453,258 |
| 2026 | (4,406) |
| Total | <u>\$ 2,402,525</u> |

Actuarial Assumptions The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Rate of Inflation | 3.00 percent per annum |
| Salary Increases | 3.75 percent to 15.11 percent, including inflation |
| Investment rate of return | 7.50 percent per annum, net of investment expense, including inflation |

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2007 to June 30, 2017.

Mortality rates were based on RP 2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two year, and disabled set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|---|
| Large cap | 7.4% |
| Small cap | 8.1% |
| International large cap | 7.2% |
| Emerging markets | 7.9% |
| Global infrastructure | 7.5% |
| Private non-core real estate | 11.5% |
| Private credit | 6.4% |
| Private equity | 10.8% |
| Core plus fixed income | 4.0% |
| Private core real estate | 7.2% |

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.50 percent) or 1-percent higher (8.5 percent) than the current rate.

| | 1% Decrease (6.5%) | Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|--------------------------|----------------------------|--------------------------|
| City's proportionate share of the net pension liability | \$ 21,109,653 | \$ 13,762,928 | \$ 7,677,505 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

Payables to the Pension Plan - At June 30, 2021, the City reported payables to the defined benefit pension plan of \$42,710 for legally required employer contributions and \$34,305 for legally required employee contributions which had been withheld from employee wages but not yet remitted to MFPRSI.

Summary information of all primary government pension plans as of June 30, 2021 is as follows:

| Primary Government IPERS | | | |
|---|----------------|----------------|----------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| Net pension liability | \$ (4,245,414) | \$ (3,097,774) | \$ (7,343,188) |
| Deferred outflows of resources related pensions | 1,018,250 | 704,783 | 1,723,033 |
| Deferred inflows of resources related pensions | (256,614) | (184,020) | (440,634) |
| Pension expense | 617,925 | 462,367 | 1,080,292 |

| Primary Government MFPRSI | | | |
|---|-----------------|---------------|-----------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| Net pension liability | \$ (13,672,175) | \$ (90,753) | \$ (13,762,928) |
| Deferred outflows of resources related pensions | 4,320,495 | 51,902 | 4,372,397 |
| Deferred inflows of resources related pensions | (487,840) | (7,695) | (495,535) |
| Pension expense | 2,485,582 | 32,993 | 2,518,575 |

| Primary Government Total All Pension | | | |
|---|-----------------|----------------|-----------------|
| | Governmental | Business-type | |
| | Activities | Activities | Total |
| Net pension liability | \$ (17,917,589) | \$ (3,188,527) | \$ (21,106,116) |
| Deferred outflows of resources related pensions | 5,338,745 | 756,685 | 6,095,430 |
| Deferred inflows of resources related pensions | (744,454) | (191,715) | (936,169) |
| Pension expense | 3,103,507 | 495,360 | 3,598,867 |

Muscatine Power & Water – Single-Employer Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the plan and additions to/deductions from Muscatine Water and Electric Employees' Pension Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments in separate accounts held at The Principal Financial Group (the plan administrator) are commingled pools, rather than individual securities; they are valued as of the December 31, 2019 measurement date at fair market value.

General Information About the Pension Plan

The utilities provide and administer a single-employer defined benefit pension plan with benefits to eligible vested full-time utility and part-time utility employees at separation of service. Eligible employees are those who are not participants in the Iowa Public Employees' Retirement System (IPERS). Water utility employees or new employees that were participants of IPERS can choose to participate in either IPERS or the Plan. Total covered valuation payroll for the year ended December 31, 2020 was \$21,461,252. Participants are 100% vested at the completion of five years of service. Benefits are generally equal to 1.5% of the employee's average highest five consecutive years of compensation (Average Compensation) multiplied by credited years of service. An additional benefit is available in an amount equal to 0.5% of the employee's Average Compensation in excess of Social Security Covered Compensation, if any, multiplied by credited years of service, up to 35 years. Benefit provisions are established under the Plan as adopted by the utility's Board of Trustees. The funding is

approved and amended by the utilities' five-member Board Of Trustees, whose members are nominated by a committee consisting of the mayor, two city council members and the City Administrator, then ratified by the city council. There are no non-employer contributing entities, as defined by GASB 67, *Financial Reporting for Pension Plans*, and GASB 68, *Accounting and Financial Reporting for Pensions*, for this plan. There are no special funding situations, as defined by GASB 67 and 68, for the Plan. The Plan currently does not issue a stand-alone financial report.

As of the measurement date, the following plan members were covered by the benefit terms:

| | Fiscal year ended <u>December 31, 2020</u> |
|--|---|
| Active plan members | 266 |
| Inactive plan members entitled to but not yet receiving benefits | 99 |
| Disabled plan members entitled to benefits | 0 |
| Retired plan members or beneficiaries currently receiving benefits | <u>209</u> |
| Total | <u>574</u> |

The pension plan provides for retirement, disability, and death benefits. There have been no changes in plan provisions during the measurement period and between the December 31, 2019 measurement date and the end of the December 31, 2020 reporting period.

The basis for determining contributions is an actuarially determined contribution (ADC) rate that is calculated in the plan's Actuarial Valuation Report dated December 31, 2020. The ADC rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses. The ADC for the measurement period ending December 31, 2020 was \$3,124,698, equal to 14.6% of covered valuation payroll. Employer contributions, for the years ending December 31, 2020, December 31, 2019, and December 31, 2018 equaled \$3,124,701, \$3,345,873, and \$3,504,169, respectively.

Actuarial Assumptions

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected service.

A measurement period of December 31, 2018 to December 31, 2019 has been used for the plan year ending December 31, 2019 for GASB 67 reporting and for the fiscal year ending December 31, 2020 for GASB 68 reporting. The net pension liability reported for the year ending December 31, 2020 was measured as of December 31, 2019, using the pension liability that was determined by an actuarial valuation as of December 31, 2019. The plan administrator does a comprehensive review of the economic and demographic assumptions. The following was used for the year ending December 31, 2020:

| | |
|------------------------------|---|
| Inflation | 2.25% |
| Investment rate of return | 6.25% |
| Salary increases (age-based) | Age 25-6.18%; Age 40-4.72%; Age 55-3.88% |
| Retirement rate | 25% at age 62; 25% at age 63; 25% at age 64; 25% at age 65 |
| Wage base | 3.25% |
| Marriage rate | 75% |

Active and inactive participants are assumed to retire at normal retirement age, or current age if later. This assumption is based on the results of recent experience analysis and anticipated future experience.

Mortality rates are based on Pri-2012 total dataset mortality table projected generationally using the Principal Mortality Improvement Scale (Principal 2015-10).

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the Long-Term Capital Market Assumptions (CMA) 2018. The capital market assumptions were developed with a primary focus on forward-looking valuation models and market indicators. The key fundamental economic inputs for these models are future inflation, economic growth, and interest rate environment. Due to the long-term nature of the pension obligations, the investment horizon for the CMA 2018 is 20-30 years.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------------|-----------------------------|---|
| US Equity - Large Cap | 30.63% | 7.70% |
| US Equity - Mid Cap | 3.52% | 7.95% |
| US Equity - Small Cap | 1.84% | 8.50% |
| Non - US Equity | 18.46% | 7.95% |
| REITs | 0.40% | 7.60% |
| Real Estate (direct property) | 5.88% | 5.55% |
| TIPS | 0.60% | 3.50% |
| Core Bond | 36.69% | 4.00% |
| High Yield | 1.98% | 6.45% |
| Total | <u>100.00%</u> | |

The discount rate used to determine the end of period total pension liability is 6.25%. The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2019 to 2116. Benefit payments after 2116 are projected to be \$0. The long-term rate of return of 6.25% is used to calculate the actuarial present value of projected payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.50% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 12/31/2019 measurement date. This discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the utility recognized pension expense of \$3,413,266. At December 31, 2020, the utility reported deferred outflows of resources and, deferred inflow of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Changes of assumptions | \$ 1,594,337 | \$ 1,506,541 |
| Differences between actual and expected experience | 781,615 | 687,094 |
| Differences between projected and actual earnings | - | 4,429,835 |
| Contributions subsequent to measurement date | 3,124,701 | - |
| Totals | <u>\$ 5,500,653</u> | <u>\$ 6,623,470</u> |

Contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

| Fiscal Year ending 12/31 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------|-----------------------------------|----------------------------------|
| 2021 | \$ 1,818,234 | \$ 2,121,427 |
| 2022 | 449,274 | 1,902,086 |
| 2023 | 108,444 | 611,619 |
| 2024 | - | 1,988,338 |
| Total | <u>\$ 2,375,952</u> | <u>\$ 6,623,470</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

| | 1% Decrease 5.25% | Discount Rate 6.25% | 1% Increase 7.25% |
|--------------------------------|----------------------|------------------------|----------------------|
| Net Pension Liability 12/31/20 | \$ 21,507,144 | \$ 9,936,010 | \$ 209,184 |

Schedule of Changes in Net Pension Liability

| | <u>12/31/20</u> |
|--|-------------------------|
| <u>Total Pension Liability</u> | |
| Service cost | \$ 1,557,289 |
| Interest | 5,552,211 |
| Benefit payments | (3,692,986) |
| Difference between expected and actual | (413,970) |
| Change in assumptions | (1,597,802) |
| Change in benefit terms | - |
| Net change in total pension liability | <u>1,404,742</u> |
| Total pension liability, beginning | <u>91,119,904</u> |
| Total pension liability, end | <u>\$ 92,524,646</u> |
| <u>Fiduciary Net Position</u> | |
| Employer contributions | \$ 3,345,873 |
| Net investment income | 13,147,954 |
| Benefit payments | (3,692,986) |
| Administration expenses | <u>(67,728)</u> |
| Net change in fiduciary net position | <u>12,733,113</u> |
| Fiduciary net position, beginning | <u>69,855,523</u> |
| Fiduciary net position, end | <u>\$ 82,588,636</u> |
| Total pension liability | <u>\$ 9,936,010</u> |

| | Single Employer Plan | IPERS | Total |
|--------------------------------|----------------------------|------------|---------------|
| Net pension liability | \$ 9,936,010 | \$ 708,117 | \$ 10,644,127 |
| Deferred outflows of resources | 5,500,653 | 288,785 | 5,789,438 |
| Deferred inflows of resources | (6,623,470) | (56,617) | (6,680,087) |
| Pension expense | 3,413,266 | 95,837 | 3,509,103 |

NOTE 8. DEFICIT FUND EQUITY

One City fund had a fund balance/net position deficit as of June 30, 2021. The fund and the amount of the deficit is as follows:

| <u>Fund</u> | <u>Deficit Amount</u> |
|------------------------|---------------------------|
| Internal service fund: | |
| Equipment services | \$ 40,291 |

This deficit is not considered a violation of any law, and is expected to be eliminated through future operations.

NOTE 9. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan description: The City administers a single employer Other Post-Employment Benefits (OPEB) plan providing medical, prescription drug, and dental benefits to retired employees and their dependents under certain conditions. Under Chapter 509A.13 of the Code of Iowa, "Group Insurance for Public Employees", if a governing body has procured insurance for its employees, the governing body shall allow its employees who retired before the age of sixty-five years of age to continue participation in the group plan at the employee's own expense until the employee attains sixty-five years of age.

Benefits provided: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement from service with the City. Coverage during retirement continues in the City's group health and dental plans. All employees opting to continue coverage under the City's plans are required to contribute the full premium amounts in order to continue coverage at retirement.

The full monthly premium rates as of January 1, 2021 for each plan are as shown below:

| <u>Rates</u> | <u>Health</u> | <u>Dental</u> |
|--------------|---------------|---------------|
| Single | \$ 670.66 | \$ 31.94 |
| Family | 783.99 | 86.55 |

Employees covered by benefit terms: At June 30, 2021, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 13 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | 207 |
| | <u>220</u> |

Total OPEB liability: The City's total OPEB liability of \$1,339,250 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|--|-----------------|
| Inflation | 3.0% per annum |
| Salary increases | 3.0% per annum |
| Discount rate | 2.16% per annum |
| Retirees' share of benefit-related costs | 100% |
| Health care cost trend rate | 5% |

The discount rate was based on the Bond Buyer 20-Bond GO index.

Mortality rates were based on the RP-2014 generational table scaled using MP 2018 and applied on a gender-specific basis.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period 2010-2018.

Changes in the total OPEB liability:

| | Total OPEB Liability |
|--|-------------------------|
| Balance at July 1, 2020 | \$ 1,270,039 |
| Changes for the year: | |
| Service cost | 93,966 |
| Interest | 29,787 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | 154,839 |
| Changes in assumptions or other inputs | (15,545) |
| Benefit payments | (193,836) |
| Net changes | 69,211 |
| Balance at June 30, 2021 | \$ 1,339,250 |

There were no changes as a result of changes in benefit terms. Changes of assumptions or other inputs reflect a change in the discount rate from 2.21% per annum in 2020 to 2.16% per annum in 2021.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease 1.16% | Discount Rate 2.16% | 1% Increase 3.16% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB liability | \$ 1,435,986 | \$ 1,339,250 | \$ 1,248,209 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates.

| | 1% Decrease 4.00% | Healthcare Cost Trend Rates 5.00% | 1% Increase 6.00% |
|----------------------|----------------------|---|----------------------|
| Total OPEB liability | \$ 1,201,893 | \$ 1,339,250 | \$ 1,500,452 |

For the year ended June 30, 2021, the City recognized OPEB expense of \$158,037. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 136,672 | \$ - |
| Changes of assumptions or other inputs | 161,153 | (30,476) |
| Net difference between projected and actual investments | - | - |
| Contributions made subsequent to measurement date | - | - |
| Total | \$ 297,825 | \$ (30,476) |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30:</u> | <u>Net Deferred Outflows</u> |
|----------------------------|------------------------------|
| 2022 | \$ 34,284 |
| 2023 | 34,284 |
| 2024 | 34,284 |
| 2025 | 34,284 |
| 2026 | 34,284 |
| Thereafter | 95,929 |
| | <u>\$ 267,349</u> |

Muscatine Power & Water – Other Post-Employment Benefits:

The utility-administered, single-employer group health insurance defined benefit plan provides coverage to active employees and retirees (or other qualified terminated employees aged 55 with 5 years of service) at blended premium rates. This coverage results in the other-post-employment benefit (OPEB) for the retirees, commonly referred to as an implicit rate subsidy. Spouses are covered until age 65.

Retirees participating in the plan contribute 100% of the blended premium. The utility, by contributing its portion of the blended premium for active employees, in effect contributes the difference between the blended premium and a retiree age adjusted premium. For a small group of grandfathered retirees, the utility pays a \$50 healthcare supplement.

As of the measurement date, the following plan members were covered by the benefit terms.

| | |
|--|------------|
| Measurement date | 12/31/2019 |
| Fiscal year end | 12/31/2020 |
| Active plan members | 259 |
| Inactive plan members entitled to but not yet receiving benefits | - |
| Retired plan members or beneficiaries currently receiving benefits | <u>28</u> |
| Total | <u>287</u> |

For fiscal years 2020, 2019, and 2018, the utility contributed \$83,079, \$44,748, and \$44,748, respectively, to the plan for claim payments plus administrative costs, net of payments received from employees and retirees for premiums.

The following schedule of changes in the total OPEB liability is based on the actuarial valuation report as of December 31, 2020.

| | <u>2020</u> |
|--|-------------------|
| Service Cost | \$ 34,612 |
| Interest on net OPEB obligation | 36,876 |
| Adjustment to annual required contribution | - |
| Differences between expected and actual experience | 14,418 |
| Changes in assumptions | (22,224) |
| Benefit payments | <u>(83,079)</u> |
| Net Change in total OPEB obligation | (19,397) |
| Net OPEB obligation - Beginning of Year | <u>935,398</u> |
| Net OPEB obligation - End of Year | <u>\$ 916,001</u> |

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:
For the year ended December 31, 2020, the utility recognized OPEB expense of \$19,397. At December 31, 2020, the utility reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Changes in assumptions | \$ - | \$ 114,127 |
| Difference between actual and expected experience | 78,596 | - |
| Contributions subsequent to measurement date | 44,748 | - |
| Total | <u>\$ 123,344</u> | <u>\$ 114,127</u> |

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

| <u>Fiscal Year ending 12/31</u> | Deferred Outflows of Resources | Deferred Inflows of Resources | Net |
|---------------------------------|-----------------------------------|----------------------------------|--------------------|
| 2021 | \$ 14,418 | \$ 22,224 | \$ (7,806) |
| 2022 | 14,418 | 22,224 | (7,806) |
| 2023 | 14,418 | 22,224 | (7,806) |
| 2024 | 14,418 | 22,224 | (7,806) |
| 2025 | 11,098 | 15,573 | (4,475) |
| Thereafter | 9,826 | 9,658 | 168 |
| Totals | <u>\$ 78,596</u> | <u>\$ 114,127</u> | <u>\$ (35,531)</u> |

The following deferred outflows and deferred inflows are recognized in OPEB expense:

- 1) Differences between expected and actual experience, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).
- 2) Changes in assumptions, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).

Sensitivity of the net OPEB liability to changes in the discount rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|-----------------------------|----------------|------------------|----------------|
| Net OPEB Liability 12/31/20 | <u>2.97%</u> | <u>3.97%</u> | <u>4.97%</u> |
| | \$ 993,668 | \$ 916,001 | \$ 846,722 |

Sensitivity of the net OPEB liability to changes in the healthcare trend rate:

| | 1% Decrease | Current Rate | 1% Increase |
|-----------------------------|----------------|-----------------|------------------|
| Net OPEB Liability 12/31/20 | <u>837,985</u> | <u>916,001</u> | <u>1,006,659</u> |

There are no plan assets under this plan.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation, the entry age actuarial cost method was used. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost.

Actuarial assumptions: The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Discount rate | 3.97% Barclays Municipal GO Long Term (17+Y) index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date. |
| Mortality rate | RP-2006 (underlying baseline table from SOA RP-2014 study) |
| Mortality improvement | Principal 2014-10 MI scale: this scale is based on the RPEC_2014_v2018 model reflecting historical U.S. mortality data to 2016, published by the SOA in October of 2018. Due to the 2-year step-back, last historical graduated data year in the scale is 2014. |
| Retirement rates | Ages 62-64 – 25%; Age 65 – 100% |
| Withdrawal | 2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.60. |
| Healthcare cost increases | 2019 – 2.50%; 2020 – 6.75% decreasing by 0.25% per year through 2028; 2029 + 4.50% per year |
| Participation rate | 75% of future retirees |

NOTE 10. INDUSTRIAL REVENUE BONDS

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately \$2,265,000 as of June 30, 2021.

NOTE 11. RISK MANAGEMENT

The City and the Muscatine County Solid Waste Agency are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

The City has established Health and Dental Insurance Funds for insuring benefits provided to City employees and covered dependents which are included in the Internal Service Funds. Health benefits were self-insured up to a specific stop loss amount of \$120,000, and an aggregate stop loss of 125% of expected paid claims. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. The estimated liability does not include any allocated or unallocated claims adjustment expense. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

All funds of the City participate in the programs and make payments to the Health and Dental Insurance Funds based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$239,031 reported as accounts payable and accruals in the Health and Dental Insurance Funds is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2021 and 2020 are summarized as follows:

| | <u>2020</u> | <u>2021</u> |
|----------------------------|--------------------|--------------------|
| Balance, beginning of year | \$ 281,131 | \$ 216,351 |
| Claim Expense | 3,439,784 | 3,653,035 |
| Claims Paid | <u>(3,504,564)</u> | <u>(3,630,355)</u> |
| Balance, end of year | <u>\$ 216,351</u> | <u>\$ 239,031</u> |

NOTE 12. COMMITMENTS AND CONTINGENCIES

The City Attorney has reported that as of June 30, 2021, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control, and Airport funds. The remaining commitment on these contracts as of June 30, 2021, is \$19,283,960. The Solid Waste Agency has no outstanding contract commitments as of June 30, 2021.

As a member of the Muscatine Area Geographic Information Consortium (MAGIC), the City is responsible for one-third of the operating expenses incurred by MAGIC. The City's contribution for fiscal year 2022 is set at \$109,560.

A power purchase agreement for wind energy was originally entered into by Muscatine Power & Water in December 2013. An amended and restated agreement was executed in June 2016. It is a 20-year agreement that commenced fourth quarter 2016 with the wind farm's December 15, 2016 commercial operation date. The wind farm is located in Jackson County, Minnesota, which is in the utility's MISO local resource zone. Its projected annual output is 51,392 MWh. Terms include a fixed first-year rate for delivered energy, with a 2.2% annual price escalation over the life of the agreement. The utility is subject to market risk up to specified net loss for a 12-month period. The contract also includes a margin sharing provision if the net energy earnings are positive.

The utility has committed to purchasing 400,000 tons of coal in 2021 under a contract with one supplier. If additional tons become necessary, they will be purchased on the OTC market or by working directly with the mine.

The utility has rail transportation agreements with two separate companies for the delivery of coal. The utility's first agreement is for coal shipped from the Powder River Basin (PRB), Wyoming to an interchange with the local delivery carrier. The current contract with the BNSH (originating carrier) expires December 31, 2022. The utility's minimum requirement is 100% of the tons shipped from the PRB up to the utility's annual tonnage nomination. In the event the utility does not meet their nominated tons, the utility has agreed to pay a per ton fee as compensation for lost traffic.

The agreement with the Canadian Pacific Railway for the shipment of coal from the interchange point to the utility's generating station expires December 31, 2021. A new agreement is expected to be in place prior to expiration of the current agreement. The Canadian Pacific Railway is only offering one-year agreements at this time.

In April 2017, the utility contracted to sell steam to a local customer through April 2020; another extension was agreed to in October 2019 to sell steam through December 2022. The agreement includes a minimum flow rate, adjusted as necessary to accommodate operational circumstances.

NOTE 13. URBAN RENEWAL DEVELOPMENT AGREEMENTS AND TAX ABATEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Muscatine has two programs that provide tax abatements. These are (1) Urban Renewal Tax Increment Fund (TIF) development/rebate agreements, and (2) qualifying improvements in Urban Revitalization Areas.

The City has entered into various development agreements for urban renewal projects as provided for in Chapters 15A and 403 of the State Code of Iowa. The agreements require the City to rebate portions of the incremental property taxes paid by the developer in exchange for infrastructure improvements, rehabilitation, or development of industrial, commercial, or multi-residential projects. As of June 30, 2021 the City had sixteen development agreements in place. These include agreements for projects currently under construction with rebates to begin in future years. In the current year payments were made to developers for eleven projects which totaled \$1,395,910. A detailed listing of these agreements is in the following table.

| <u>Developer</u> | <u>Type of Development/Purpose</u> | <u>Fiscal Years of Rebates</u> | | <u>Taxes Rebated/</u> |
|---|------------------------------------|--------------------------------|----------------------------|--------------------------------------|
| | | <u>First Year</u> | <u>Final Year</u> | <u>Abated</u> <u>Current Year</u> |
| A & E Convenience - 50% for 10 Years | Commercial/Economic Development | 2012/2013 | 2021/2022 | \$ 3,180 |
| The Villas at MCC, LLC - 50% for 10 Years | Commercial/Student Housing | 2013/2014 | 2022/2023 | 13,685 |
| R.L. Fridley Theatres Inc. - 15 Years (Declining Percentages) | Commercial/Economic Development | 2015/2016 | 2029/2030 | 62,239 |
| Wal-View Developments #1 - 10 Years (Declining Percentages) | Warehousing/Economic Development | 2015/2016 | 2024/2025 | 314,609 |
| H.J. Heinz - 5 Years Declining Percentages | Industrial/Economic Development | 2016/2017 | 2020/2021 | 3,512 |
| Wal-View Developments #2 - 10 Years (Declining Percentages) | Warehousing/Economic Development | 2017/2018 | 2026/2027 | 210,193 |
| Riverview Hotel Development - 20 years (Declining Percentages) | Hotel/Economic Development | 2019/2020 | 2038/2039 | 639,448 |
| Union Tank Car - 10 Years 50% | Industrial/Economic Development | 2017/2018 | 2020/2021 | 8,174 |
| Harrison Lofts LLC - 15 years (Varying Percentages) | Commercial/Affordable Housing | 2019/2020 | 2033/2034 | 26,140 |
| HNI Corporation - 50% for 10 Years | Industrial/Economic Development | 2019/2020 | 2028/2029 | 66,706 |
| White Distribution & Supply, LLC - 10 Years 50% | Commercial/Economic Development | 2020/2021 | 2029/2030 | 48,024 |
| TIF Oak Park - 70% for 15 Years | Commercial/Affordable Housing | 2021/2022 | 2035/2036 | - |
| NPSW Enterprises - 75% for 10 Years for each Phase (up to 3 Phases) | New residential housing | 2021/2022 | 2040/2041 (latest year) | - |
| Bush Developments LLC and Hershey Property LLC - 100% for 10 Years | Multi-Residential and Commercial | 2021/2022 | 2030/2031 | - |
| Musco Sports Lighting LLC - 50% for 10 Years | Industrial/Economic Development | 2022/2023 | 2031/2032 | - |
| Colorado Senior Lofts LLC - 100% for 10 Years | Multi-Residential | 2024/2025 | 2033/2034 | - |
| Grandview Senior Lofts LLC - 100% for 10 Years | Multi-Residential | 2024/2025 | 2033/2034 | - |
| JNB Family 1 LP and Ales Foundation (Steamboat Apartments) - 70% for 15 Years | Multi-Residential | 2024/2025 | 2038/2039 | - |
| Total | | | | <u>\$ 1,395,910</u> |

Actual incremental tax rebates are computed based on the taxable valuations of these properties, the incremental property tax rate each year, and the provisions of the development agreements. Each agreement, however, includes a maximum total amount of rebates that may be paid over the term of the agreement. The maximum total of rebates to be paid by the City under the agreements in effect as of June 30, 2021 is an amount not to exceed \$17,168,588. This amount includes \$1,380,000 for projects still under construction at the end of the current year.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements may be subject to the constitutional debt limitation of the City.

Certain agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements that do not include an annual appropriation clause is subject to the constitutional debt limitation. Of the \$17,168,588 maximum total of rebates outstanding at the end of the year, \$15,782,867 is subject to annual appropriations, and only the succeeding year's payments on those agreements are subject to the debt limit.

The City has created five Urban Revitalization areas as provided for in Chapter 404 of the State Code of Iowa. The Urban Revitalization Plans for each area provide for full or partial tax abatements for qualifying improvements in each of the areas. In the current year \$99,668 of property taxes were abated for qualifying improvements in the Urban Revitalization areas. A summary of the abatements is in the following table:

| <u>Tax Abatement Program</u> | <u>Number of Properties</u> | <u>Taxes Abated</u> |
|-------------------------------------|------------------------------------|----------------------------|
| New Residential Homes | 26 | \$ 73,436 |
| New Multi-Residential Development | 1 | 14,122 |
| Residential Home Improvements | 5 | 12,110 |
| | | |
| Totals | <u>32</u> | <u>\$ 99,668</u> |

The tax rebates and Urban Revitalization Area tax abatements total \$1,495,578 in taxes abated in the current year.

NOTE 14. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARD

The City adopted the following statements during the year ended June 30, 2021.

GASB Statement No. 84, *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the identification criteria established by the Statement is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported as a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

GASB Statement No. 90, *Majority Equity Interest-An Amendment of GASB Statement No. 14 and No. 61*: The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting of a majority equity interest. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*: This statement establishes the term annual comprehensive financial report and its acronym ACFR in response to concerns raised by stakeholders that the common pronunciation of the prior acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

As of June 30, 2021, GASB had issued several statements not yet required to be implemented by the City. The Statements which might impact the City are as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the City beginning with its fiscal year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements association with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022 except for the requirements related to the effective date of Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers, assets accumulated for postemployment benefits, applicability of Statement No. 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities, and terminology to refer to derivative instruments.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This statement provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, clarifies the hedge accounting termination provisions when a hedge item is amended to replace the reference rate, clarifies the uncertainty related to the continued availability of IBORS, removes LIBOR as an appropriate benchmark interest rate for qualitative evaluation, identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap, and clarifies the definition of reference rate, as it is used in Statement 53, as amended.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset- and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans- an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022. The primary objectives of this Statement are to 1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and 3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

NOTE 15. SUBSEQUENT EVENT

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional, and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the City's operations and finances.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

City of Muscatine, Iowa

**Budgetary Comparison Schedule of
Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - Budgetary Basis
Budgeted Governmental and Proprietary Funds**

Required Supplementary Information

For the Year Ended June 30, 2021

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Budgeted Amounts | | Final Budget to Actual Variance |
|--------------------------------------|--|---|-------------------------|-------------------------|----------------------|--|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property | \$ 14,350,626 | \$ - | \$ 14,350,626 | \$ 14,232,772 | \$ 14,232,772 | \$ 117,854 |
| Tax increment financing | 2,494,143 | - | 2,494,143 | 2,573,000 | 2,524,400 | (30,257) |
| Other city taxes | 4,757,747 | - | 4,757,747 | 4,187,228 | 4,612,628 | 145,119 |
| Licenses and permits | 226,375 | 19,390 | 245,765 | 463,300 | 266,600 | (20,835) |
| Use of money and property | 140,945 | 998,536 | 1,139,481 | 1,424,410 | 1,139,910 | (429) |
| Intergovernmental | 8,087,745 | 2,693,298 | 10,781,043 | 15,026,112 | 13,368,895 | (2,587,852) |
| Charges for services | 537,842 | 15,055,275 | 15,593,117 | 16,226,800 | 15,591,800 | 1,317 |
| Miscellaneous | 2,659,733 | 4,688,678 | 7,348,411 | 5,861,950 | 7,544,800 | (196,389) |
| Total revenues | <u>33,255,156</u> | <u>23,455,177</u> | <u>56,710,333</u> | <u>59,995,572</u> | <u>59,281,805</u> | <u>(2,571,472)</u> |
| Expenditures: | | | | | | |
| Public safety | 10,590,825 | - | 10,590,825 | 10,632,700 | 10,760,200 | (169,375) |
| Public works | 2,866,932 | - | 2,866,932 | 3,015,500 | 2,916,300 | (49,368) |
| Health and social service | 50,000 | - | 50,000 | 50,000 | 50,000 | - |
| Culture and recreation | 3,588,182 | - | 3,588,182 | 3,711,100 | 3,816,300 | (228,118) |
| Community and economic development | 4,589,847 | - | 4,589,847 | 4,896,670 | 4,943,540 | (353,693) |
| General government | 2,852,499 | - | 2,852,499 | 3,129,900 | 3,064,570 | (212,071) |
| Debt service | 2,887,016 | - | 2,887,016 | 3,044,713 | 2,887,317 | (301) |
| Capital projects | 7,077,561 | - | 7,077,561 | 13,663,400 | 10,009,100 | (2,931,539) |
| Business type activities | - | 22,937,006 | 22,937,006 | 24,968,750 | 27,473,280 | (4,536,274) |
| Total expenditures | <u>34,502,862</u> | <u>22,937,006</u> | <u>57,439,868</u> | <u>67,112,733</u> | <u>65,920,607</u> | <u>(8,480,739)</u> |
| Revenues over (under) expenditures | <u>(1,247,706)</u> | <u>518,171</u> | <u>(729,535)</u> | <u>(7,117,161)</u> | <u>(6,638,802)</u> | <u>5,909,267</u> |
| Other financing sources (uses): | | | | | | |
| Proceeds of long term debt | - | - | - | - | - | - |
| Premium on long term debt | - | - | - | - | - | - |
| Proceeds of capital asset sales | - | - | - | - | - | - |
| Transfers in | 8,744,588 | 5,626,665 | 14,371,253 | 17,006,688 | 19,979,865 | (5,608,612) |
| Transfers out | (9,582,438) | (4,788,815) | (14,371,253) | (17,006,688) | (19,979,865) | 5,608,612 |
| Total other financing sources (uses) | <u>(837,850)</u> | <u>837,850</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (2,085,556) | 1,356,021 | (729,535) | (7,117,161) | (6,638,802) | 5,909,267 |
| Fund balances, June 30, 2020 | <u>17,940,913</u> | <u>18,326,818</u> | <u>36,267,731</u> | <u>29,396,740</u> | <u>36,265,781</u> | <u>1,950</u> |
| Fund balances, June 30, 2021 | <u>\$ 15,855,357</u> | <u>\$ 19,682,839</u> | <u>\$ 35,538,196</u> | <u>\$ 22,279,579</u> | <u>\$ 29,626,979</u> | <u>\$ 5,911,217</u> |

See notes to Required Supplementary Information.

City of Muscatine, Iowa
Budget to GAAP Reconciliation
Required Supplementary Information
For the Year Ended June 30, 2021

| | Governmental Funds | | | Proprietary Funds | | |
|--------------------------------------|---------------------------|--------------------|----------------------|--|----------------------|---|
| | Budget Basis | Adjustments | GAAP Basis | Enterprise and Budgeted Internal Service Funds Budget Basis | Adjustments | Enterprise and Internal Service Funds GAAP Basis |
| Revenues | \$ 33,255,156 | \$ - | \$ 33,255,156 | \$ 23,455,177 | \$ 781,033 | \$ 24,236,210 |
| Expenditures/expenses | 34,502,862 | (188,030) | 34,314,832 | 22,937,006 | (1,041,395) | 21,895,611 |
| Net | (1,247,706) | 188,030 | (1,059,676) | 518,171 | 1,822,428 | 2,340,599 |
| Other financing sources (uses), net | (837,850) | (90,550) | (928,400) | 837,850 | 90,550 | 928,400 |
| Beginning fund balances/net position | 17,940,913 | 104,351 | 18,045,264 | 18,326,818 | 72,280,335 | 90,607,153 |
| Ending fund balances/net position | <u>\$ 15,855,357</u> | <u>\$ 201,831</u> | <u>\$ 16,057,188</u> | <u>\$ 19,682,839</u> | <u>\$ 74,193,313</u> | <u>\$ 93,876,152</u> |

See notes to Required Supplementary Information.

City of Muscatine, Iowa

**Required Supplementary Information
Schedule of Changes in the City's Total OPEB
Liability and Related Ratios
Last Four Fiscal Years ***

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB liability | | | | |
| Changes for the year: | | | | |
| Service cost | \$ 93,966 | \$ 53,542 | \$ 51,983 | \$ 48,797 |
| Interest | 29,787 | 44,206 | 43,914 | 35,933 |
| Changes of benefit terms | - | - | - | - |
| Differences between expected and actual experience | 154,839 | 268,036 | 143,297 | - |
| Changes in assumptions or other inputs | (15,545) | 131,331 | (22,862) | 88,070 |
| Benefit payments | (193,836) | (363,568) | (84,332) | (70,320) |
| Net changes in total OPEB liability | 69,211 | 133,547 | 132,000 | 102,480 |
| Total OPEB liability - beginning | 1,270,039 | 1,136,492 | 1,004,492 | 902,012 |
| Total OPEB liability - ending | <u>\$ 1,339,250</u> | <u>\$ 1,270,039</u> | <u>\$ 1,136,492</u> | <u>\$ 1,004,492</u> |
| Covered employee payroll | \$ 13,078,004 | \$ 12,412,039 | \$ 11,947,438 | \$ 11,574,574 |
| Total OPEB liability as a percentage of covered employee payroll | 10.24% | 10.23% | 9.51% # | 8.68% |

Notes to Schedule:

Changes of benefit terms:

There were no changes as a result of changes in benefit terms

Changes of assumption:

Changes of assumptions or other inputs reflect a change in the discount rate from 2.21% per annum in 2020 to 2.16% in 2021.

The following are the discount rates used in each period:

| | |
|------|-------|
| 2021 | 2.16% |
| 2020 | 2.21% |
| 2019 | 3.58% |
| 2018 | 3.87% |

The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2018 generational projection of future mortality improvement.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75

* The schedule is intended to present information for ten years. Information prior to 2018 is not available.

Muscatine Power & Water (MP&W)

Required Supplementary Information
Schedule of Changes in MP&W's Net OPEB
Liability and Related Ratios
Last Four Fiscal Years

| | Measurement Date Fiscal Year | 12/31/2019 12/31/2020 | 12/31/2018 12/31/2019 | 12/31/2017 12/31/2018 | 12/31/2016 12/31/2017 |
|--|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Total OPEB Liability | | | | | |
| Service cost | \$ | 34,612 | \$ 34,071 | \$ 35,606 | \$ 35,606 |
| Interest | | 36,876 | 37,603 | 36,710 | 36,710 |
| Benefit payments | | (83,079) | (44,748) | (44,748) | (44,748) |
| Differences between expected and actual experience | | 14,418 | 55,389 | 14,157 | 67,861 |
| Changes in assumptions | | (22,224) | (54,416) | - | (135,819) |
| Net change in total OPEB liability | | (19,397) | 27,899 | 41,725 | (40,390) |
| Total OPEB liability - beginning of period | | 935,398 | 907,499 | 865,774 | 906,164 |
| Total OPEB liability - end of period | \$ | 916,001 | \$ 935,398 | \$ 907,499 | \$ 865,774 |
| Fiduciary Net Position | | | | | |
| Employer contributions | \$ | 83,079 | \$ 44,748 | \$ 44,748 | \$ 44,748 |
| Net investment income | | - | - | - | - |
| Benefit payments | | (83,079) | (44,748) | (44,748) | (44,748) |
| Administration expenses | | - | - | - | - |
| Net change in plan fiduciary net position | | - | - | - | - |
| Plan fiduciary net position - beginning of year | | - | - | - | - |
| Plan fiduciary net position - end of year | \$ | - | \$ - | \$ - | \$ - |
| Net OPEB liability | \$ | 916,001 | \$ 935,398 | \$ 907,499 | \$ 865,774 |
| Fiduciary net position as a percentage of the total OPEB liability | | 0.0% | 0.0% | 0.0% | 0.0% |
| Covered valuation payroll | \$ | 21,461,252 | \$ 20,860,718 | \$ 20,468,578 | \$ 20,283,973 |
| Net OPEB liability as a percentage of covered valuation payroll | | 4.3% | 4.5% | 4.4% | 4.3% |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available.

(Continued)

Muscatine Power & Water (MP&W)

Required Supplementary Information
Schedule of Changes in MP&W's Net OPEB
Liability and Related Ratios
Last Four Fiscal Years (Continued)

| | Measurement Date | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|------------------|------------|---------------|---------------|---------------|
| | Fiscal Year | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
| <u>Schedule of Employer Contributions</u> | | | | | |
| <u>Contributions</u> | | | | | |
| Employer contributions | \$ | 83,079 | \$ 44,748 | \$ 44,748 | \$ 44,748 |
| Employer contributions received by the plan | | 83,079 | 44,748 | 44,748 | 44,748 |
| Contribution deficiency (excess) | | - | - | - | - |
| <u>Ratios</u> | | | | | |
| Covered employee payroll | \$ | 22,755,120 | \$ 21,461,252 | \$ 20,802,753 | \$ 19,722,272 |
| Employer contributions received as a percentage of covered employee payroll | | 0.37% | 0.21% | 0.22% | 0.23% |
| <u>ADC Assumptions</u> | | | | | |
| Long-term rate of return on assets | | N/A | N/A | N/A | N/A |
| Interest rate | | 3.97% | 3.97% | 4.09% | 4.09% |
| Salary increase assumption | | N/A | N/A | N/A | N/A |
| COLA increase assumption | | N/A | N/A | N/A | N/A |
| Retirement age assumption | | Rates | Rates | Rates | Rates |
| Plan changes | | None | None | None | None |

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available.

Methods and Assumptions Used to Determine OPEB Liability

| | |
|---------------------------|--|
| Actuarial cost method | Entry age normal method |
| Discount rate | 3.97% |
| Mortality rate | RP-2006 (underlying baseline table from SOA RP-2014 study) |
| Retirement rates | Ages 62-64 - 25%; Age 65 - 100% |
| Healthcare cost increases | 2019 - 2.5%; 2020 - 6.75% decreasing by 0.25% per year through 2028; 2029+ 4.5%/year |
| Participation rate | 75% of future retirees |

No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

City of Muscatine, Iowa

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Seven Fiscal Years

| | 2021* | 2020* | 2019* | 2018* |
|--|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.1045333% | 0.1101200% | 0.1069804% | 0.1083022% |
| City's proportionate share of the net pension liability | \$ 7,343,188 | \$ 6,376,670 | \$ 6,769,982 | \$ 7,214,294 |
| City's covered payroll | \$ 8,332,918 | \$ 8,425,706 | \$ 8,092,365 | \$ 8,136,539 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 88.12% | 75.68% | 83.66% | 88.67% |
| Plan fiduciary net pension as a percentage of the total pension liability | 82.90% | 85.45% | 83.62% | 82.21% |

* The amounts presented for each fiscal year were determined as of the prior June 30 year-end.

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Notes to Required Supplementary Information

| 2017* | 2016* | 2015* |
|--------------|--------------|--------------|
| 0.1082369% | 0.11044860% | 0.11542338% |
| \$ 6,811,690 | \$ 5,456,694 | \$ 4,577,583 |
| \$ 7,817,478 | \$ 7,667,711 | \$ 7,653,736 |
| 87.13% | 71.16% | 59.81% |
| 81.82% | 85.19% | 87.61% |

City of Muscatine, Iowa

Required Supplementary Information
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 828,218 | \$ 786,739 | \$ 795,670 | \$ 723,120 | \$ 727,098 |
| Contributions in relation to the statutorily required contribution | (828,218) | (786,739) | (795,670) | (723,120) | (727,098) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 8,790,129 | \$ 8,332,918 | \$ 8,425,706 | \$ 8,092,365 | \$ 8,136,539 |
| Contributions as a percentage of covered payroll | 9.42% | 9.44% | 9.44% | 8.94% | 8.94% |

See Notes to Required Supplementary Information

| 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------|--------------|--------------|--------------|--------------|
| \$ 698,589 | \$ 685,356 | \$ 683,964 | \$ 649,682 | \$ 596,712 |
| (698,589) | (685,356) | (683,964) | (649,682) | (596,712) |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 7,817,478 | \$ 7,667,711 | \$ 7,653,736 | \$ 7,481,151 | \$ 7,369,945 |
| 8.94% | 8.94% | 8.94% | 8.68% | 8.10% |

City of Muscatine, Iowa

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Fire and Police Retirement System
Last Seven Fiscal Years

| | 2021* | 2020* | 2019* | 2018* |
|--|---------------|---------------|---------------|---------------|
| City's proportion of the net pension liability | 1.725542% | 1.768136% | 1.788944% | 1.844853% |
| City's proportionate share of the net pension liability | \$ 13,762,928 | \$ 11,597,674 | \$ 10,651,435 | \$ 10,819,603 |
| City's covered payroll | \$ 5,482,109 | \$ 5,368,372 | \$ 5,210,779 | \$ 5,028,590 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 251.05% | 216.04% | 204.41% | 215.16% |
| Plan fiduciary net pension as a percentage of the total pension liability | 76.47% | 79.94% | 81.07% | 80.60% |

* The amounts presented for each fiscal year were determined as of the prior June 30 year-end.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Notes to Required Supplementary Information

| 2017* | 2016* | 2015* |
|---------------|--------------|--------------|
| 1.721407% | 1.759589% | 1.755039% |
| \$ 10,763,285 | \$ 8,266,801 | \$ 6,361,984 |
| \$ 4,703,400 | \$ 4,623,077 | \$ 4,500,650 |
| 228.84% | 178.82% | 141.36% |
| 78.20% | 83.04% | 86.27% |

Schedule of City Contributions
Municipal Fire and Police Retirement System
Last Ten Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 1,474,337 | \$ 1,338,183 | \$ 1,392,690 | \$ 1,335,297 | \$ 1,354,626 |
| Contributions in relation to the statutorily required contribution | (1,474,337) | (1,338,183) | (1,392,690) | (1,335,297) | (1,354,626) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 5,852,382 | \$ 5,482,109 | \$ 5,368,372 | \$ 5,210,779 | \$ 5,028,590 |
| Contributions as a percentage of covered payroll | 25.19% | 24.41% | 25.94% | 25.63% | 26.94% |

See Notes to Required Supplementary Information

| 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------|--------------|--------------|--------------|--------------|
| \$ 1,295,439 | \$ 1,400,892 | \$ 1,356,118 | \$ 1,138,474 | \$ 1,029,442 |
| (1,295,439) | (1,400,892) | (1,356,118) | (1,138,474) | (1,029,442) |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| \$ 4,703,400 | \$ 4,623,077 | \$ 4,500,650 | \$ 4,333,916 | \$ 4,149,554 |
| 27.54% | 30.30% | 30.13% | 26.27% | 24.81% |

Muscatine Power & Water

Required Supplementary Information - Single Employer Defined Benefit Pension Plan
Schedule of Changes in Net Pension Liability
Last Six Fiscal Years (Unaudited)

Total Pension Liability

| Measurement Date | 12/31/2019 | 12/31/2018 | 12/31/2017 | 12/31/2016 |
|---|-------------------|-------------------|-------------------|-------------------|
| Fiscal Year | 12/31/2020 | 12/31/2019 | 12/31/2018 | 12/31/2017 |
| Service cost | \$ 1,557,289 | \$ 1,470,422 | \$ 1,513,685 | \$ 1,389,645 |
| Interest | 5,552,211 | 5,411,414 | 5,196,759 | 5,128,482 |
| Benefit payments | (3,692,986) | (3,443,179) | (3,166,243) | (2,793,981) |
| Difference between expected and actual experience | (413,970) | 942,640 | 450,770 | (1,006,283) |
| Change in assumptions | (1,597,802) | (201,125) | (347,807) | 4,507,826 |
| Net change in total pension liability | 1,404,742 | 4,180,172 | 3,647,164 | 7,225,689 |
| Total pension liability, beginning of period | 91,119,904 | 86,939,732 | 83,292,568 | 76,066,879 |
| Total pension liability, end of period | <u>92,524,646</u> | <u>91,119,904</u> | <u>86,939,732</u> | <u>83,292,568</u> |

Plan Fiduciary Net Position

| | | | | |
|--|---------------------|----------------------|----------------------|----------------------|
| Employer contributions | \$ 3,345,873 | \$ 3,504,169 | \$ 3,233,148 | \$ 2,781,411 |
| Net investment income | 13,147,954 | (3,545,522) | 9,741,653 | 3,529,390 |
| Benefit payments | (3,692,986) | (3,443,179) | (3,166,243) | (2,793,981) |
| Administration expenses | (67,728) | - | - | (4,500) |
| Net change in plan fiduciary net position | 12,733,113 | (3,484,532) | 9,808,558 | 3,512,320 |
| Plan fiduciary net position, beginning of period | 69,855,523 | 73,340,055 | 63,531,497 | 60,019,177 |
| Plan fiduciary net position, end of period | <u>82,588,636</u> | <u>69,855,523</u> | <u>73,340,055</u> | <u>63,531,497</u> |
| Net pension liability | <u>\$ 9,936,010</u> | <u>\$ 21,264,381</u> | <u>\$ 13,599,677</u> | <u>\$ 19,761,071</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 89.3% | 76.7% | 84.4% | 76.3% |
| Covered valuation payroll | \$ 21,461,252 | \$ 20,802,753 | \$ 19,722,272 | \$ 19,812,794 |
| Net pension liability as a percentage of covered valuation payroll | 46.3% | 102.2% | 69.0% | 99.7% |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, MP&W will present information for those years for which information is available.

| 12/31/2015 | 12/31/2014 |
|----------------------|----------------------|
| 12/31/2016 | 12/31/2015 |
| \$ 1,293,507 | \$ 1,397,201 |
| 4,857,025 | 4,743,318 |
| (2,672,730) | (2,370,911) |
| 652,758 | (943,990) |
| <u>(123,402)</u> | <u>3,959,905</u> |
| 4,007,158 | 6,785,523 |
| 72,059,721 | 65,274,198 |
| <u>76,066,879</u> | <u>72,059,721</u> |
| | |
| \$ 2,683,000 | \$ 2,619,320 |
| (266,965) | 3,183,800 |
| (2,672,730) | (2,370,911) |
| <u>-</u> | <u>(1,950)</u> |
| (256,695) | 3,430,259 |
| 60,275,872 | 56,845,613 |
| <u>60,019,177</u> | <u>60,275,872</u> |
| | |
| <u>\$ 16,047,702</u> | <u>\$ 11,783,849</u> |
| | |
| 78.9% | 83.6% |
| | |
| \$ 20,849,573 | \$ 19,530,308 |
| | |
| 77.0% | 60.3% |

Muscatine Power & Water

Required Supplementary Information - Single Employer Defined Benefit Pension Plan For the Year Ended December 31, 2020 (Unaudited)

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|------------------------------|--|
| Actuarial cost method | Entry Age Normal Method |
| Asset valuation method | Market Value |
| Investment rate of return | 6.25% |
| Inflation | 2.25% |
| Retirement rate | 25% at each age group 62 years through 65 years |
| Salary increases (age-based) | Age 25 - 6.18%; Age 40 - 4.72%; Age 55 - 3.88% |
| Wage base | 3.25% |
| Marriage rate | 75% |
| Mortality | Pri-2012 total dataset projected generationally using the Principal Mortality Improvement Scale, Principal 2015-10 |

Muscatine Power & Water (MP&W)**Required Supplementary Information - Single Employer Defined Benefit Pension Plan
Schedule of Employer Contributions
Last Seven Fiscal Years**

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|---------------|---------------|---------------|---------------|---------------|
| Annual required contributions | \$ 3,124,701 | \$ 3,345,873 | \$ 3,504,169 | \$ 3,233,148 | \$ 2,781,411 |
| Contributions in relation to the annual required contribution | (3,124,701) | (3,345,873) | (3,504,169) | (3,233,148) | (2,781,411) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| MP&W's covered valuation payroll | \$ 22,755,120 | \$ 21,461,252 | \$ 20,802,753 | \$ 19,722,272 | \$ 19,812,794 |
| Contributions as a percentage of covered valuation payroll | 13.73% | 15.59% | 16.84% | 16.39% | 14.04% |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the utility will present information for those years for which information is available.

| 2015 | 2014 |
|---------------|---------------|
| \$ 2,683,000 | \$ 2,619,320 |
| (2,683,000) | (2,619,320) |
| \$ - | \$ - |
| \$ 20,849,573 | \$ 19,530,308 |
| 12.87% | 13.41% |

Muscatine Power & Water**Required Supplementary Information****Schedule of the Muscatine Power & Water's Proportionate Share of the Net Pension Liability****Iowa Public Employees' Retirement System****Last Six Years**

| | 2020* | 2019* | 2018* | 2017* |
|---|------------|------------|------------|------------|
| MP&W's proportion of the net pension liability | 0.010151% | 0.008276% | 0.009012% | 0.007749% |
| MP&W's proportionate share of the net pension liability | \$ 708,117 | \$ 482,470 | \$ 570,121 | \$ 483,234 |
| MP&W's covered payroll | \$ 708,921 | \$ 705,123 | \$ 579,595 | \$ 551,040 |
| MP&W's proportionate share of the net pension liability as a percentage of its covered payroll | 99.9% | 68.4% | 98.4% | 87.7% |
| Plan fiduciary net pension as a percentage of the total pension liability | 82.9% | 84.4% | 83.6% | 81.8% |

* The amounts presented for each year were determined as of the prior June 30 year-end.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, MP&W will present information for those years for which information is available.

See Notes to Required Supplementary Information

| 2016* | 2015* |
|------------|------------|
| 0.006906% | 0.009160% |
| \$ 343,338 | \$ 363,277 |
| \$ 476,102 | \$ 595,572 |
| 72.1% | 61.0% |
| 85.2% | 87.6% |

Muscatine Power & Water

Required Supplementary Information

Schedule of Muscatine Power & Water's Contributions

Iowa Public Employees' Retirement System

Last Six Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------|------------|------------|------------|------------|------------|
| Statutorily required contribution | \$ 82,972 | \$ 66,922 | \$ 59,468 | \$ 56,861 | \$ 49,963 | \$ 46,930 |
| Contributions in relation to the statutorily required contribution | (82,972) | (66,922) | (59,468) | (56,861) | (49,963) | (46,930) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| MP&W's covered payroll | \$ 878,943 | \$ 708,921 | \$ 648,271 | \$ 636,745 | \$ 559,496 | \$ 525,531 |
| Contributions as a percentage of covered payroll | 9.44% | 9.44% | 9.17% | 8.93% | 8.93% | 8.93% |

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, MP&W will present information for those years for which information is available.

See Notes to Required Supplementary Information

CITY OF MUSCATINE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2021

NOTE 1. Budget Preparation and Adoption

The State of Iowa requires the annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 31 preceding the beginning of the fiscal year. The budget must include the amount to be raised by property taxation, income from sources other than property taxation, and expenditures for each of the functional areas described in Note 3.

Preliminary budget review of all operating department requests is conducted by the City Administrator. The budget proposal as presented to the City Council by the City Administrator is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the City Administrator, Finance Director, department heads, and boards and commissions, as well as holding two public hearings prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 31st day of March preceding the beginning of the fiscal year. This budget becomes the appropriation for the operations of the City.

After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council.

The City Council also approves a five-year capital improvement program. This capital improvement program is reviewed and revised annually by the City Council; a public hearing also is held in regard to proposed capital improvements for the City.

NOTE 2. Basis of Budgeting

Annual budgets are adopted following required public notice and hearings for all funds with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances represent purchases on order related to unperformed contracts for goods or services with the exception of capital projects fund contracts. For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriation in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. In the preceding budget schedules, expenditures include current fiscal year encumbrances and exclude the payment of prior year encumbrances.

NOTE 3. Budget Functions

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds and certain Permanent and Internal Service Funds. Although the City's budget document presents expenditures by fund, the legal level of control is at the aggregated

function level, not by fund. During the year, two budget amendments decreased budgeted disbursements in total by \$1,192,126, which includes a \$3,696,656 decrease in governmental funds and a \$2,504,530 increase in proprietary funds. The overall governmental funds decrease is due to a decrease in capital projects budgeted expenditures primarily due to changes in capital project construction schedules. The proprietary funds budget increase is also primarily due to changes in proprietary fund capital project construction schedules. The budget amendments are reflected in the final budgeted amounts

During the year ended June 30, 2021, expenditures did not exceed the budgeted amounts in any of the nine functions.

NOTE 4. Pension Liability

IPERS

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed the mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption. .

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

MFPRSI

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates were based on the RP-2014 Blue Collar Health Annuitant Table with males set-forward zero years, females set-forward two years, and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Health Mortality Table with males set-back two years, females set-forward one year, and disabled individuals set-forward one year (male only rate), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1 / 12 of the 1971 Group Annuity Mortality Table and 11 / 12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2 / 12 of the 1971 Group Annuity Mortality Table and 10 / 12 of the 1994 Group Annuity Mortality Table.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are utilized to account for revenues derived from specific sources which are accounted for as separate funds. These funds are as follows:

COMMUNITY DEVELOPMENT BLOCK GRANT - Accounts for community development block grant funds awarded to the City.

1ST TIME HOME OWNERS PROGRAM - Accounts for funds received to provide education and counseling services to assist persons interested in purchasing their own homes.

SECTION 8 HOUSING PROGRAM - Accounts for the operations of the City's Section 8 Housing Choice Voucher Program which provides rental assistance to low income individuals and families in the City.

SUNSET PARK EDUCATION PROGRAM - Accounts for children's education programs at the Sunset Park public housing apartment complex.

POLICE FORFEITURES - Accounts for funds received by the police department from seized and forfeited properties under guidelines established by the U.S. Department of Justice and the State of Iowa and must be expended for police department programs.

DOWNTOWN TAX INCREMENT - Accounts for the incremental taxes from the expanded Downtown Urban Renewal Area.

SOUTHEND TAX INCREMENT - Accounts for the incremental taxes from the Southend Urban Renewal Area which funded economic development incentives for expanding businesses in this area, other improvements in the southend area, and the debt requirements on tax increment revenue bonds or general obligation bonds which funded improvements in the urban renewal area.

CEDAR DEVELOPMENT TAX INCREMENT - Accounts for incremental taxes from the Cedar Development Urban Renewal Area.

HIGHWAY 38 NORTHEAST TAX INCREMENT - Accounts for incremental taxes from the expanded Highway 38 Northeast Urban Renewal Area.

HEINZ TAX INCREMENT - Accounts for incremental taxes from the Industrial/Heinz Urban Renewal Area.

FRIDLEY THEATER TAX INCREMENT - Accounts for incremental taxes which funded economic development incentives for this ten-plex movie theater and related developments in that area.

RIVERVIEW HOTEL TAX INCREMENT - Accounts for incremental taxes from the district that includes the new Merrill Hotel and Conference Center.

NORTH UNIVERSITY TAX INCREMENT - Accounts for incremental taxes from the district that includes the HNI Corporation facility on North University Avenue.

WHITE DISTRIBUTION TAX INCREMENT - Accounts for incremental taxes from the district that includes the White Distribution & Supply LLC facility.

HERSHEY BUILDING TAX INCREMENT - Accounts for incremental taxes from the district that includes the Hershey Building in downtown Muscatine.

SMALL BUSINESS FORGIVABLE LOAN PROGRAMS - These programs provides for forgivable loans to private businesses for the promotion of in-fill, redevelopment, and facilities enhancements in designated areas of the community.

RIVERVIEW REINVESTMENT DISTRICT - Accounts for Reinvestment District revenues from the State of Iowa and economic development payments of those funds to the Riverview Hotel Development for the Merrill Hotel and Conference Center located in downtown Muscatine overlooking the Mississippi River. The Merrill Hotel opened in March of 2018.

ART CENTER SPECIAL FUNDS - Accounts for the Alice Dodge Schaeffer Trust, the principal and interest of which is used for the conservation of furnishings, which accompanied this trust, and the General Donations Trust which is used for cash donations to the Art Center either for specific purchases or general donations to be used to fund acquisitions designated by the Board of Trustees of the Art Center. Also accounts for funds received from the estate of Brad Burns which must be used for art center purchases.

LIBRARY SPECIAL FUND - Accounts for the Library Gift and Memorial Trust used for general donations to the Musser Public Library.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital facilities and other major capital assets, with the exception of those that are financed by Enterprise and Internal Service Funds. The project funds reflect the nature of the capital projects and are as follows:

COMMUNITY DEVELOPMENT IMPROVEMENTS FUND - Accounts for urban renewal improvements, housing rehabilitation, and building demolition projects in designated areas of the City.

STREET AND SIDEWALK IMPROVEMENTS FUND - Accounts for the City's pavement management program including ongoing maintenance of the improved streets.

RIVERFRONT IMPROVEMENT PROJECTS FUND - Accounts for riverfront and levee improvement projects.

OTHER PUBLIC IMPROVEMENTS FUND - Accounts for construction and improvements to City buildings, improvements of City park facilities, and equipment and technology acquisitions.

PERMANENT FUNDS

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that benefit the City's programs and services.

MCWHIRTER-GILMORE TRUST - Accounts for funds received which accompanied the gift of the Musser Mansion museum facility. Interest earnings on this trust are used for the maintenance of the museum building.

PERPETUAL CARE TRUST - Accounts for the portion of cemetery lot sales designated for perpetual care.

PERPETUAL CARE INTEREST TRUST - Accounts for interest earned on cemetery perpetual care funds which is required to be used for the operation and maintenance of the cemetery facility.

CEMETERY SPECIAL TRUSTS - Accounts for funds received, the interest earnings of which are designated to be used to maintain specific cemetery lots or to provide floral arrangements for these lots.

City of Muscatine, Iowa

**Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2021**

| | Special Revenue | Capital Projects | Permanent | Totals |
|--|----------------------------|-----------------------------|---------------------|---------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ 1,407,593 | \$ 2,404,100 | \$ 673,880 | \$ 4,485,573 |
| Investments | 381,477 | - | 385,498 | 766,975 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Interest | 2,864 | - | 2,241 | 5,105 |
| Taxes | 2,377,734 | - | - | 2,377,734 |
| Intergovernmental | 114,274 | 716,072 | - | 830,346 |
| Accounts | 26,719 | - | 770 | 27,489 |
| Total assets | <u>4,310,661</u> | <u>3,120,172</u> | <u>1,062,389</u> | <u>8,493,222</u> |
| LIABILITIES | | | | |
| Accounts payable and accruals | 109,891 | 660,732 | - | 770,623 |
| Retainages payable | - | 150,926 | - | 150,926 |
| Escrow liability | 41,381 | - | - | 41,381 |
| Unearned revenue | 72,692 | - | - | 72,692 |
| Advances from other funds | - | - | 1,286 | 1,286 |
| Total liabilities | <u>223,964</u> | <u>811,658</u> | <u>1,286</u> | <u>1,036,908</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - property taxes | 2,364,400 | - | - | 2,364,400 |
| Unavailable revenue - intergovernmental | 35,000 | 357,067 | - | 392,067 |
| Total deferred inflows of resources | <u>2,399,400</u> | <u>357,067</u> | <u>-</u> | <u>2,756,467</u> |
| FUND BALANCES | | | | |
| Nonspendable: | | | | |
| Permanent fund principal | - | - | 1,035,684 | 1,035,684 |
| Restricted for: | | | | |
| Grant purposes | 132,154 | - | - | 132,154 |
| Tax levy purposes | 672,754 | - | - | 672,754 |
| Housing and community development | 438,001 | 2,045 | - | 440,046 |
| Law enforcement | 10,935 | 31,093 | - | 42,028 |
| Art center | 378,696 | - | 5,003 | 383,699 |
| Library | 54,757 | - | - | 54,757 |
| Cemetery | - | - | 20,416 | 20,416 |
| Street and sidewalk projects | - | 1,146,967 | - | 1,146,967 |
| Levee improvement projects | - | 57,995 | - | 57,995 |
| Building improvement projects | - | 562,146 | - | 562,146 |
| Parks and recreation projects | - | 151,201 | - | 151,201 |
| Total fund balances | <u>1,687,297</u> | <u>1,951,447</u> | <u>1,061,103</u> | <u>4,699,847</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 4,310,661</u> | <u>\$ 3,120,172</u> | <u>\$ 1,062,389</u> | <u>\$ 8,493,222</u> |

City of Muscatine, Iowa
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2021

| | Special Revenue | Capital Projects | Permanent | Totals |
|---------------------------------------|----------------------------|-----------------------------|---------------------|---------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Property | \$ 2,494,143 | \$ - | \$ - | \$ 2,494,143 |
| Intergovernmental | 1,993,172 | 586,673 | - | 2,579,845 |
| Use of money and property | 6,683 | 6,921 | 12,607 | 26,211 |
| Other | 53,728 | 568,138 | 11,794 | 633,660 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenues | 4,547,726 | 1,161,732 | 24,401 | 5,733,859 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 49,232 | - | 2,053 | 51,285 |
| Community and economic development | 3,508,134 | - | - | 3,508,134 |
| Debt service: | | | | |
| Principal | 150,000 | - | - | 150,000 |
| Interest | 8,700 | - | - | 8,700 |
| Capital outlay: | | | | |
| Public safety | - | 10,500 | - | 10,500 |
| Public works | - | 2,533,872 | - | 2,533,872 |
| Culture and recreation | - | 1,203,009 | - | 1,203,009 |
| Community and economic development | - | 21,077 | - | 21,077 |
| General government | - | 123,994 | - | 123,994 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenditures | 3,716,066 | 3,892,452 | 2,053 | 7,610,571 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Revenues over (under) expenditures | 831,660 | (2,730,720) | 22,348 | (1,876,712) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 250,000 | 1,507,512 | - | 1,757,512 |
| Transfers out | (1,060,734) | (22,793) | (10,872) | (1,094,399) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total other financing sources (uses) | (810,734) | 1,484,719 | (10,872) | 663,113 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net change in fund balances | 20,926 | (1,246,001) | 11,476 | (1,213,599) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund balances, June 30, 2020 | 1,666,371 | 3,197,448 | 1,049,627 | 5,913,446 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund balances, June 30, 2021 | <u>\$ 1,687,297</u> | <u>\$ 1,951,447</u> | <u>\$ 1,061,103</u> | <u>\$ 4,699,847</u> |

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2021

| | Community Development Block Grant | 1st Time Home Owners Program | Section 8 Housing Program | Sunset Park Education Program | Police Forfeitures | Downtown Tax Increment | Southend Tax Increment | Cedar Development Tax Increment | Highway 38 Northeast Tax Increment | Heinz Tax Increment |
|---|---|------------------------------------|---------------------------------|-------------------------------------|-----------------------|------------------------------|------------------------------|---------------------------------------|--|---------------------------|
| ASSETS | | | | | | | | | | |
| Cash and pooled investments | \$ 31,195 | \$ 14,571 | \$ 57,398 | \$ 6,681 | \$ 10,935 | \$ 9,878 | \$ 513,508 | \$ 66,303 | \$ 28,732 | \$ 4,890 |
| Investments | - | - | 199,984 | - | - | - | - | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | | | | | | |
| Interest | - | - | - | - | - | - | - | - | - | - |
| Taxes | - | - | - | - | - | 213,400 | 1,161,082 | - | 44,000 | - |
| Accounts | - | 25,038 | 1,681 | - | - | - | - | - | - | - |
| Intergovernmental | 49,937 | - | 7,100 | - | - | - | - | - | - | - |
| Total assets | 81,132 | 39,609 | 266,163 | 6,681 | 10,935 | 223,278 | 1,674,590 | 66,303 | 72,732 | 4,890 |
| LIABILITIES | | | | | | | | | | |
| Accounts payable and accruals | 49,937 | 1,097 | 19,936 | - | - | - | - | - | 13,686 | - |
| Escrow liability | - | - | 41,381 | - | - | - | - | - | - | - |
| Unearned revenue | - | - | 72,692 | - | - | - | - | - | - | - |
| Total liabilities | 49,937 | 1,097 | 134,009 | - | - | - | - | - | 13,686 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | | |
| Unavailable revenue - property taxes | - | - | - | - | - | 213,400 | 1,150,000 | - | 44,000 | - |
| Unavailable revenue - intergovernmental | - | - | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - | 213,400 | 1,150,000 | - | 44,000 | - |
| FUND BALANCES | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Grant purposes | - | - | 132,154 | - | - | - | - | - | - | - |
| Tax levy purposes | - | - | - | - | - | 9,878 | 524,590 | 66,303 | 15,046 | 4,890 |
| Housing and community development | 31,195 | 38,512 | - | 6,681 | - | - | - | - | - | - |
| Law enforcement | - | - | - | - | 10,935 | - | - | - | - | - |
| Art center | - | - | - | - | - | - | - | - | - | - |
| Library | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | 31,195 | 38,512 | 132,154 | 6,681 | 10,935 | 9,878 | 524,590 | 66,303 | 15,046 | 4,890 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 81,132 | \$ 39,609 | \$ 266,163 | \$ 6,681 | \$ 10,935 | \$ 223,278 | \$ 1,674,590 | \$ 66,303 | \$ 72,732 | \$ 4,890 |

| Fridley Theater Tax Increment | Riverview Hotel Tax Increment | N. University Tax Increment | White Dist. Tax Increment | Hershey Bldg Tax Increment | Small Business Forgivable Loan Program | Small Business Forgivable Loan Code Comp. | Small Business Forgivable Loan 2nd St Facades | Riverview Reinvestment District | Art Center Special Funds | Library Special Funds | Total |
|-------------------------------------|-------------------------------------|-----------------------------------|---------------------------------|----------------------------------|--|---|---|---------------------------------------|-----------------------------|--------------------------|--------------|
| \$ 37,593 | \$ 1,233 | \$ 8,034 | \$ 5,187 | \$ - | \$ 201,528 | \$ 60,085 | \$ 100,000 | \$ - | \$ 194,539 | \$ 55,303 | \$ 1,407,593 |
| - | - | - | - | - | - | - | - | - | 181,493 | - | 381,477 |
| - | - | - | - | - | - | - | - | - | 2,864 | - | 2,864 |
| 68,000 | 682,252 | 80,000 | 54,000 | 75,000 | - | - | - | - | - | - | 2,377,734 |
| - | - | - | - | - | - | - | - | - | - | - | 26,719 |
| - | - | - | - | - | - | - | - | 57,237 | - | - | 114,274 |
| 105,593 | 683,485 | 88,034 | 59,187 | 75,000 | 201,528 | 60,085 | 100,000 | 57,237 | 378,896 | 55,303 | 4,310,661 |
| - | 2,252 | - | - | - | - | - | - | 22,237 | 200 | 546 | 109,891 |
| - | - | - | - | - | - | - | - | - | - | - | 41,381 |
| - | - | - | - | - | - | - | - | - | - | - | 72,692 |
| - | 2,252 | - | - | - | - | - | - | 22,237 | 200 | 546 | 223,964 |
| 68,000 | 680,000 | 80,000 | 54,000 | 75,000 | - | - | - | - | - | - | 2,364,400 |
| - | - | - | - | - | - | - | - | 35,000 | - | - | 35,000 |
| 68,000 | 680,000 | 80,000 | 54,000 | 75,000 | - | - | - | 35,000 | - | - | 2,399,400 |
| - | - | - | - | - | - | - | - | - | - | - | 132,154 |
| 37,593 | 1,233 | 8,034 | 5,187 | - | - | - | - | - | - | - | 672,754 |
| - | - | - | - | - | 201,528 | 60,085 | 100,000 | - | - | - | 438,001 |
| - | - | - | - | - | - | - | - | - | - | - | 10,935 |
| - | - | - | - | - | - | - | - | - | 378,696 | - | 378,696 |
| - | - | - | - | - | - | - | - | - | - | 54,757 | 54,757 |
| 37,593 | 1,233 | 8,034 | 5,187 | - | 201,528 | 60,085 | 100,000 | - | 378,696 | 54,757 | 1,687,297 |
| \$ 105,593 | \$ 683,485 | \$ 88,034 | \$ 59,187 | \$ 75,000 | \$ 201,528 | \$ 60,085 | \$ 100,000 | \$ 57,237 | \$ 378,896 | \$ 55,303 | \$ 4,310,661 |

City of Muscatine, Iowa

Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2021

| | Community Development Block Grant | 1st Time Home Owners Program | Section 8 Housing Program | Sunset Park Education Program | Police Forfeitures | Downtown Tax Increment | Southend Tax Increment | Cedar Development Tax Increment | Highway 38 Northeast Tax Increment | Heinz Tax Increment |
|---------------------------------------|---|------------------------------------|---------------------------------|-------------------------------------|-----------------------|------------------------------|------------------------------|---------------------------------------|--|---------------------------|
| REVENUES | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 241,415 | \$ 1,378,725 | \$ - | \$ 41,425 | \$ - |
| Intergovernmental: | | | | | | | | | | |
| HUD grants | - | 2,985 | 1,783,239 | - | - | - | - | - | - | - |
| Federal grants | 49,937 | - | - | - | - | - | - | - | - | - |
| State grants | - | - | - | - | - | - | - | - | - | - |
| Local grants | - | 31,744 | - | - | - | - | - | - | - | - |
| Interest | 74 | 76 | 85 | 15 | 6 | 181 | 2,199 | 157 | 49 | 18 |
| Other: | | | | | | | | | | |
| Donations | - | - | - | 1,139 | - | - | - | - | - | - |
| Miscellaneous | - | - | 15,294 | - | - | - | - | - | - | - |
| Total revenues | <u>50,011</u> | <u>34,805</u> | <u>1,798,618</u> | <u>1,154</u> | <u>6</u> | <u>241,596</u> | <u>1,380,924</u> | <u>157</u> | <u>41,474</u> | <u>18</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Culture and recreation | - | - | - | - | - | - | - | - | - | - |
| Community and economic development | 49,937 | 34,367 | 1,877,866 | - | - | - | 536,156 | - | 39,825 | 3,512 |
| Debt service: | | | | | | | | | | |
| Principal | - | - | - | - | - | - | 150,000 | - | - | - |
| Interest | - | - | - | - | - | - | 8,700 | - | - | - |
| Total expenditures | <u>49,937</u> | <u>34,367</u> | <u>1,877,866</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>694,856</u> | <u>-</u> | <u>39,825</u> | <u>3,512</u> |
| Revenues over (under) expenditures | <u>74</u> | <u>438</u> | <u>(79,248)</u> | <u>1,154</u> | <u>6</u> | <u>241,596</u> | <u>686,068</u> | <u>157</u> | <u>1,649</u> | <u>(3,494)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (245,000) | (815,734) | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(245,000)</u> | <u>(815,734)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 74 | 438 | (79,248) | 1,154 | 6 | (3,404) | (129,666) | 157 | 1,649 | (3,494) |
| Fund balances, June 30, 2020 | <u>31,121</u> | <u>38,074</u> | <u>211,402</u> | <u>5,527</u> | <u>10,929</u> | <u>13,282</u> | <u>654,256</u> | <u>66,146</u> | <u>13,397</u> | <u>8,384</u> |
| Fund balances, June 30, 2021 | <u>\$ 31,195</u> | <u>\$ 38,512</u> | <u>\$ 132,154</u> | <u>\$ 6,681</u> | <u>\$ 10,935</u> | <u>\$ 9,878</u> | <u>\$ 524,590</u> | <u>\$ 66,303</u> | <u>\$ 15,046</u> | <u>\$ 4,890</u> |

| <u>Fridley Tax Increment</u> | <u>Riverview Hotel Tax Increment</u> | <u>North University Tax Increment</u> | <u>Northeast WDS Tax Increment</u> | <u>Small Business Forgivable Loan Program</u> | <u>Small Business Forgivable Loan Code Comp.</u> | <u>Small Business Forgivable Loan 2nd St Facades</u> | <u>Riverview Reinvestment District</u> | <u>Art Center Special Funds</u> | <u>Library Special Funds</u> | <u>Total</u> |
|--------------------------------------|--|---|--|---|--|--|--|-------------------------------------|----------------------------------|---------------------|
| \$ 68,974 | \$ 639,448 | \$ 70,946 | \$ 53,210 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,494,143 |
| - | - | - | - | - | - | - | - | - | - | 1,786,224 |
| - | - | - | - | - | - | - | - | - | 5,876 | 55,813 |
| - | - | - | - | - | - | - | 92,702 | 2,135 | 24,554 | 119,391 |
| - | - | - | - | - | - | - | - | - | - | 31,744 |
| 76 | 215 | 25 | - | 255 | 85 | - | - | 3,010 | 157 | 6,683 |
| - | - | - | - | - | - | - | - | 8,774 | 5,258 | 15,171 |
| - | - | - | - | 20,035 | - | - | - | - | 3,228 | 38,557 |
| <u>69,050</u> | <u>639,663</u> | <u>70,971</u> | <u>53,210</u> | <u>20,290</u> | <u>85</u> | <u>-</u> | <u>92,702</u> | <u>13,919</u> | <u>39,073</u> | <u>4,547,726</u> |
| - | - | - | - | - | - | - | - | 8,922 | 40,310 | 49,232 |
| 62,239 | 639,448 | 66,706 | 48,023 | 37,353 | 20,000 | - | 92,702 | - | - | 3,508,134 |
| - | - | - | - | - | - | - | - | - | - | 150,000 |
| - | - | - | - | - | - | - | - | - | - | 8,700 |
| <u>62,239</u> | <u>639,448</u> | <u>66,706</u> | <u>48,023</u> | <u>37,353</u> | <u>20,000</u> | <u>-</u> | <u>92,702</u> | <u>8,922</u> | <u>40,310</u> | <u>3,716,066</u> |
| <u>6,811</u> | <u>215</u> | <u>4,265</u> | <u>5,187</u> | <u>(17,063)</u> | <u>(19,915)</u> | <u>-</u> | <u>-</u> | <u>4,997</u> | <u>(1,237)</u> | <u>831,660</u> |
| - | - | - | - | 100,000 | 50,000 | 100,000 | - | - | - | 250,000 |
| - | - | - | - | - | - | - | - | - | - | (1,060,734) |
| - | - | - | - | 100,000 | 50,000 | 100,000 | - | - | - | (810,734) |
| 6,811 | 215 | 4,265 | 5,187 | 82,937 | 30,085 | 100,000 | - | 4,997 | (1,237) | 20,926 |
| <u>30,782</u> | <u>1,018</u> | <u>3,769</u> | <u>-</u> | <u>118,591</u> | <u>30,000</u> | <u>-</u> | <u>-</u> | <u>373,699</u> | <u>55,994</u> | <u>1,666,371</u> |
| <u>\$ 37,593</u> | <u>\$ 1,233</u> | <u>\$ 8,034</u> | <u>\$ 5,187</u> | <u>\$ 201,528</u> | <u>\$ 60,085</u> | <u>\$ 100,000</u> | <u>\$ -</u> | <u>\$ 378,696</u> | <u>\$ 54,757</u> | <u>\$ 1,687,297</u> |

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Balance Sheet
June 30, 2021**

| | Community Development Improvements | Street and Sidewalk Improvements | Riverfront Improvement Projects | Other Public Improvements | Total |
|---|---|---|--|--|--------------|
| ASSETS | | | | | |
| Cash and pooled investments | \$ 2,045 | \$ 1,944,698 | \$ 59,058 | \$ 398,299 | \$ 2,404,100 |
| Receivables: | | | | | |
| Intergovernmental | - | - | - | 716,072 | 716,072 |
| Total assets | 2,045 | 1,944,698 | 59,058 | 1,114,371 | 3,120,172 |
| LIABILITIES | | | | | |
| Accounts payable | - | 646,805 | - | 13,927 | 660,732 |
| Retainages payable | - | 150,926 | - | - | 150,926 |
| Total liabilities | - | 797,731 | - | 13,927 | 811,658 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - intergovernmental | - | - | - | 357,067 | 357,067 |
| FUND BALANCES | | | | | |
| Restricted for: | | | | | |
| Community development projects | 2,045 | - | - | - | 2,045 |
| Public safety projects | - | - | - | 31,093 | 31,093 |
| Street and sidewalk projects | - | 1,146,967 | - | - | 1,146,967 |
| Building improvement projects | - | - | - | 562,146 | 562,146 |
| Levee improvement projects | - | - | 57,995 | - | 57,995 |
| Parks and recreation projects | - | - | 1,063 | 150,138 | 151,201 |
| Total fund balances | 2,045 | 1,146,967 | 59,058 | 743,377 | 1,951,447 |
| Total liabilities and fund balances | \$ 2,045 | \$ 1,944,698 | \$ 59,058 | \$ 1,114,371 | \$ 3,120,172 |

City of Muscatine, Iowa

**Non-Major Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2021**

| | Community Development Improvements | Street and Sidewalk Improvements | Riverfront Improvement Projects | Other Public Improvements | Total |
|---------------------------------------|---|---|--|--|---------------------|
| REVENUES | | | | | |
| Intergovernmental: | | | | | |
| Federal grants | \$ - | \$ - | \$ - | \$ 227,667 | \$ 227,667 |
| State grants | - | - | - | 359,006 | 359,006 |
| Interest | 103 | 4,641 | 143 | 2,034 | 6,921 |
| Other: | | | | | |
| Sale of property | 8,000 | - | - | 120,000 | 128,000 |
| Contributions | - | - | - | 428,746 | 428,746 |
| Reimbursement of costs | - | 11,392 | - | - | 11,392 |
| Total revenues | <u>8,103</u> | <u>16,033</u> | <u>143</u> | <u>1,137,453</u> | <u>1,161,732</u> |
| EXPENDITURES | | | | | |
| Capital outlay: | | | | | |
| Public safety | - | - | - | 10,500 | 10,500 |
| Public works | - | 2,533,872 | - | - | 2,533,872 |
| Culture and recreation | - | - | 17,657 | 1,185,352 | 1,203,009 |
| Community and economic development | 21,077 | - | - | - | 21,077 |
| General government | - | - | - | 123,994 | 123,994 |
| Total expenditures | <u>21,077</u> | <u>2,533,872</u> | <u>17,657</u> | <u>1,319,846</u> | <u>3,892,452</u> |
| Revenues over (under) expenditures | <u>(12,974)</u> | <u>(2,517,839)</u> | <u>(17,514)</u> | <u>(182,393)</u> | <u>(2,730,720)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 26 | 1,491,486 | 16,000 | - | 1,507,512 |
| Transfers out | - | - | - | (22,793) | (22,793) |
| Total other financing sources (uses) | <u>26</u> | <u>1,491,486</u> | <u>16,000</u> | <u>(22,793)</u> | <u>1,484,719</u> |
| Net change in fund balances | (12,948) | (1,026,353) | (1,514) | (205,186) | (1,246,001) |
| Fund balances, June 30, 2020 | <u>14,993</u> | <u>2,173,320</u> | <u>60,572</u> | <u>948,563</u> | <u>3,197,448</u> |
| Fund balances, June 30, 2021 | <u>\$ 2,045</u> | <u>\$ 1,146,967</u> | <u>\$ 59,058</u> | <u>\$ 743,377</u> | <u>\$ 1,951,447</u> |

City of Muscatine, Iowa

**Non-Major Permanent Funds
Combining Balance Sheet
June 30, 2021**

| | McWhirter- Gilmore Trust | Perpetual Care Trust | Perpetual Care Interest Trust | Cemetery Special Trusts | Total |
|-------------------------------------|---|-------------------------------------|--|--|---------------------|
| ASSETS | | | | | |
| Cash and pooled investments | \$ 43,550 | \$ 577,914 | \$ - | \$ 52,416 | \$ 673,880 |
| Investments | 60,498 | 325,000 | - | - | 385,498 |
| Receivables: | | | | | |
| Interest | 955 | - | 1,286 | - | 2,241 |
| Accounts | - | 770 | - | - | 770 |
| Total assets | <u>105,003</u> | <u>903,684</u> | <u>1,286</u> | <u>52,416</u> | <u>1,062,389</u> |
| LIABILITIES | | | | | |
| Advances from other funds | - | - | 1,286 | - | 1,286 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>1,286</u> | <u>-</u> | <u>1,286</u> |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Permanent fund principal | 100,000 | 903,684 | - | 32,000 | 1,035,684 |
| Restricted for: | | | | | |
| Cemetery | - | - | - | 20,416 | 20,416 |
| Art center | 5,003 | - | - | - | 5,003 |
| Total fund balances | <u>105,003</u> | <u>903,684</u> | <u>-</u> | <u>52,416</u> | <u>1,061,103</u> |
| Total liabilities and fund balances | <u>\$ 105,003</u> | <u>\$ 903,684</u> | <u>\$ 1,286</u> | <u>\$ 52,416</u> | <u>\$ 1,062,389</u> |

City of Muscatine, Iowa

Non-Major Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2021

| | McWhirter- Gilmore Trust | Perpetual Care Trust | Perpetual Care Interest Trust | Cemetery Special Trusts | Total |
|------------------------------------|--------------------------------|----------------------------|-------------------------------------|-------------------------------|---------------------|
| REVENUES | | | | | |
| Cemetery perpetual care | \$ - | \$ 11,794 | \$ - | \$ - | \$ 11,794 |
| Interest | 958 | - | 10,872 | 777 | 12,607 |
| Total revenues | 958 | 11,794 | 10,872 | 777 | 24,401 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Culture and recreation | 910 | - | - | 1,143 | 2,053 |
| Total expenditures | 910 | - | - | 1,143 | 2,053 |
| Revenues over (under) expenditures | 48 | 11,794 | 10,872 | (366) | 22,348 |
| OTHER FINANCING (USES) | | | | | |
| Transfers out | - | - | (10,872) | - | (10,872) |
| Net change in fund balances | 48 | 11,794 | - | (366) | 11,476 |
| Fund balances, June 30, 2020 | 104,955 | 891,890 | - | 52,782 | 1,049,627 |
| Fund balances, June 30, 2021 | <u>\$ 105,003</u> | <u>\$ 903,684</u> | <u>\$ -</u> | <u>\$ 52,416</u> | <u>\$ 1,061,103</u> |

NON-MAJOR ENTERPRISE FUNDS

The Enterprise Funds are utilized to account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the cost of providing goods and services to the general public on a continuing basis is expected to be recovered primarily through user charges. The City has also established Enterprise Funds when the determination has been made that it is advantageous to segregate revenues earned, expenses incurred, and net income for purposes of capital maintenance, public policy, management control, or accountability.

PARKING OPERATIONS - Accounts for the operations of "on" and "off-street" parking meters and parking in designated lots. All activities necessary to provide for such services are accounted for in this fund including, but not limited to, meter enforcement, maintenance, and administration.

TRANSIT OPERATIONS - Accounts for the operations of the municipal transit system. The system is funded from user fees, grants, and property taxes from a special levy.

GOLF COURSE - Accounts for the operation and maintenance of the Municipal Golf Course. This includes activities necessary to provide for the operation of the course as well as capital improvements.

BOAT HARBOR - Accounts for the operation and maintenance of the municipal boat harbor in addition to capital improvements to the harbor.

MARINA OPERATIONS - Accounts for the operation of the City's gas barge which provides fuel sales to boaters on the Mississippi River.

CONVENTION AND VISITORS BUREAU – The former non-profit Convention and Visitors Bureau was dissolved as of June 30, 2015 with its assets and liabilities transferred to the City as of that date. This function is now accounted for as an enterprise fund of the City.

AMBULANCE OPERATIONS - Accounts for the Fire Department Ambulance Service which began providing service July 1, 2000.

SOCCER EVENTS - Accounts for revenues and expenses for the Soccer College Search Kickoff Event. In prior years this event was hosted by a private non-profit entity and held at the Muscatine Soccer Complex. This event is now being hosted by the City Parks & Recreation department beginning in 2018.

PUBLIC HOUSING - Accounts for the operations of the City's public housing program which includes a 100-unit elderly housing facility and a 50-unit family facility.

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Net Position
June 30, 2021

| | Parking Operations | Transit Operations | Golf Course | Boat Harbor | Marina Operations |
|--|-----------------------|-----------------------|-------------|-------------|----------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and pooled investments | \$ 100,161 | \$ 237,524 | \$ 115,978 | \$ 4,104 | \$ - |
| Investments | - | - | - | - | - |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Accounts | 1,590 | 136 | 2,735 | - | 300 |
| Intergovernmental: | | | | | |
| Federal | - | 335,923 | - | - | - |
| Due from other funds | - | - | - | 1,080 | - |
| Inventories | - | - | 39,042 | - | 4,095 |
| Prepaid items | - | - | 10,616 | - | - |
| Total current assets | 101,751 | 573,583 | 168,371 | 5,184 | 4,395 |
| Noncurrent assets: | | | | | |
| Capital assets: | | | | | |
| Land | 579,686 | - | 80,000 | - | - |
| Land improvements | 1,288,350 | - | 1,348,305 | 479,080 | - |
| Buildings and building improvements | - | 20,426 | 790,988 | - | - |
| Equipment | 42,370 | 6,054 | 481,061 | - | - |
| Vehicles | - | 987,612 | - | - | - |
| Less accumulated depreciation | (983,066) | (623,241) | (1,960,277) | (178,188) | - |
| Total capital assets net of accumulated depreciation | 927,340 | 390,851 | 740,077 | 300,892 | - |
| Total noncurrent assets | 927,340 | 390,851 | 740,077 | 300,892 | - |
| Total assets | 1,029,091 | 964,434 | 908,448 | 306,076 | 4,395 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension related deferred outflows | 24,328 | 114,003 | 53,404 | - | - |
| OPEB related deferred outflows | 1,295 | 1,727 | 4,316 | - | - |
| Total deferred outflows of resources | 25,623 | 115,730 | 57,720 | - | - |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accruals | 6,390 | 32,342 | 89,705 | 1,371 | 3,315 |
| Compensated absences payable | 8,679 | 13,818 | 21,481 | 1,700 | - |
| Due to other funds | - | - | - | - | 1,080 |
| Deposits | - | - | - | - | - |
| Escrow liability | - | - | - | - | - |
| Unearned revenue | 30,882 | 766 | 2,944 | - | - |
| Total current liabilities | 45,951 | 46,926 | 114,130 | 3,071 | 4,395 |
| Noncurrent liabilities: | | | | | |
| Compensated absences | 13,335 | 9,199 | 11,611 | 2,113 | - |
| Other post-employment benefits | 5,822 | 7,764 | 19,410 | - | - |
| Net pension obligation | 109,417 | 529,182 | 151,817 | - | - |
| Total noncurrent liabilities | 128,574 | 546,145 | 182,838 | 2,113 | - |
| Total liabilities | 174,525 | 593,071 | 296,968 | 5,184 | 4,395 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related deferred inflows | 6,195 | 30,421 | 10,158 | - | - |
| OPEB related deferred outflows | 133 | 177 | 442 | - | - |
| Total deferred inflows of resources | 6,328 | 30,598 | 10,600 | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 927,340 | 390,851 | 740,077 | 300,892 | - |
| Unrestricted | (53,479) | 65,644 | (81,477) | - | - |
| Total net position | \$ 873,861 | \$ 456,495 | \$ 658,600 | \$ 300,892 | \$ - |

| Convention and Visitors Bureau | Ambulance Operations | Soccer Events | Public Housing | Total |
|-----------------------------------|-------------------------|------------------|-------------------|--------------|
| \$ 140,258 | \$ 246,479 | \$ 71,260 | \$ 9,672 | \$ 925,436 |
| - | - | - | 704,631 | 704,631 |
| - | 449,493 | - | 27,070 | 481,324 |
| - | - | - | 13,307 | 349,230 |
| - | - | - | - | 1,080 |
| - | - | - | - | 43,137 |
| - | - | - | - | 10,616 |
| 140,258 | 695,972 | 71,260 | 754,680 | 2,515,454 |
| - | - | - | 105,000 | 764,686 |
| - | - | - | 206,873 | 3,322,608 |
| - | - | - | 8,317,986 | 9,129,400 |
| 11,412 | 513,222 | - | 117,899 | 1,172,018 |
| - | 709,817 | - | 49,636 | 1,747,065 |
| (11,412) | (863,675) | - | (7,987,791) | (12,607,650) |
| - | 359,364 | - | 809,603 | 3,528,127 |
| - | 359,364 | - | 809,603 | 3,528,127 |
| 140,258 | 1,055,336 | 71,260 | 1,564,283 | 6,043,581 |
| - | 60,237 | - | 54,198 | 306,170 |
| - | 1,439 | - | 6,402 | 15,179 |
| - | 61,676 | - | 60,600 | 321,349 |
| - | 60,655 | 15,493 | 96,718 | 305,989 |
| - | 23,013 | - | 16,421 | 85,112 |
| - | - | - | - | 1,080 |
| - | - | - | 48,617 | 48,617 |
| - | - | - | 2,192 | 2,192 |
| - | - | - | 2,955 | 37,547 |
| - | 83,668 | 15,493 | 166,903 | 480,537 |
| - | - | - | 10,225 | 46,483 |
| - | 6,470 | - | 28,791 | 68,257 |
| - | 148,035 | - | 239,780 | 1,178,231 |
| - | 154,505 | - | 278,796 | 1,292,971 |
| - | 238,173 | 15,493 | 445,699 | 1,773,508 |
| - | 14,171 | - | 13,306 | 74,251 |
| - | 147 | - | 655 | 1,554 |
| - | 14,318 | - | 13,961 | 75,805 |
| - | 359,364 | - | 809,603 | 3,528,127 |
| 140,258 | 505,157 | 55,767 | 355,620 | 987,490 |
| \$ 140,258 | \$ 864,521 | \$ 55,767 | \$ 1,165,223 | \$ 4,515,617 |

City of Muscatine, Iowa

Non-Major Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

| | Parking Operations | Transit Operations | Golf Course | Boat Harbor | Marina Operations |
|--|-----------------------|-----------------------|-------------|-------------|----------------------|
| Operating revenues: | | | | | |
| Charges for sales and services: | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - |
| Parking fees | 174,486 | - | - | - | - |
| Transit fees | - | 96,452 | - | - | - |
| Golf course fees | - | - | 819,946 | - | - |
| Boat harbor fees | - | - | - | 20,514 | - |
| Rents | - | - | - | - | - |
| Other | - | 1,040 | 27,256 | - | 8,189 |
| Total operating revenues | 174,486 | 97,492 | 847,202 | 20,514 | 8,189 |
| Operating expenses: | | | | | |
| Cost of sales and services: | | | | | |
| Personal services | 151,764 | 734,785 | 398,647 | 17,218 | 1,722 |
| Commodities | 5,493 | 72,351 | 165,750 | 465 | 8,447 |
| Contractual services | 7,853 | 149,118 | 140,809 | 4,049 | 1,239 |
| Administration | 13,700 | 21,400 | 62,000 | 1,500 | - |
| Depreciation | 40,390 | 98,817 | 56,409 | 14,765 | - |
| Total operating expenses | 219,200 | 1,076,471 | 823,615 | 37,997 | 11,408 |
| Operating income (loss) | (44,714) | (978,979) | 23,587 | (17,483) | (3,219) |
| Non-operating revenues (expenses): | | | | | |
| Federal, state and local grants | - | 885,654 | 135 | - | 50 |
| Interest revenue | 201 | 723 | 226 | - | - |
| Insurance recoveries | - | - | - | 59,600 | - |
| Non-operating revenues (expenses), net | 201 | 886,377 | 361 | 59,600 | 50 |
| Income (loss) before capital contributions and transfers | (44,513) | (92,602) | 23,948 | 42,117 | (3,169) |
| Capital contributions - government | - | - | - | 125,100 | - |
| Transfers in | - | 113,807 | - | 2,718 | 3,169 |
| Transfers out | - | - | - | - | - |
| Change in net position | (44,513) | 21,205 | 23,948 | 169,935 | - |
| Net position, June 30, 2020 | 918,374 | 435,290 | 634,652 | 130,957 | - |
| Net position, June 30, 2021 | \$ 873,861 | \$ 456,495 | \$ 658,600 | \$ 300,892 | \$ - |

| Convention and Visitors Bureau | Ambulance Operations | Soccer Events | Public Housing | Total |
|---|---------------------------------|--------------------------|---------------------------|--------------|
| \$ - | \$ 1,973,147 | \$ - | \$ - | \$ 1,973,147 |
| - | - | - | - | 174,486 |
| - | - | - | - | 96,452 |
| - | - | - | - | 819,946 |
| - | - | - | - | 20,514 |
| - | - | - | 448,360 | 448,360 |
| - | 31,400 | 36,672 | 35,447 | 140,004 |
| - | 2,004,547 | 36,672 | 483,807 | 3,672,909 |
| - | 197,970 | 2,867 | 347,891 | 1,852,864 |
| - | 152,154 | 3,712 | 58,523 | 466,895 |
| 125,000 | 225,660 | 13,375 | 417,335 | 1,084,438 |
| 3,800 | 44,700 | - | - | 147,100 |
| - | 115,914 | - | 131,615 | 457,910 |
| 128,800 | 736,398 | 19,954 | 955,364 | 4,009,207 |
| (128,800) | 1,268,149 | 16,718 | (471,557) | (336,298) |
| - | - | - | 492,317 | 1,378,156 |
| 433 | 847 | 93 | 762 | 3,285 |
| - | - | - | - | 59,600 |
| 433 | 847 | 93 | 493,079 | 1,441,041 |
| (128,367) | 1,268,996 | 16,811 | 21,522 | 1,104,743 |
| - | - | - | - | 125,100 |
| 99,647 | - | - | - | 219,341 |
| - | (1,437,800) | - | - | (1,437,800) |
| (28,720) | (168,804) | 16,811 | 21,522 | 11,384 |
| 168,978 | 1,033,325 | 38,956 | 1,143,701 | 4,504,233 |
| \$ 140,258 | \$ 864,521 | \$ 55,767 | \$ 1,165,223 | \$ 4,515,617 |

City of Muscatine, Iowa
Non-Major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021

| | Parking Operations | Transit Operations | Golf Course | Boat Harbor | Marina Operations |
|---|-------------------------------|-------------------------------|--------------------|--------------------|------------------------------|
| Cash flows from operating activities | | | | | |
| Receipts from customers and users | \$ 177,998 | \$ 101,732 | \$ 836,516 | \$ 20,514 | \$ 7,889 |
| Payments to suppliers | (13,311) | (161,448) | (273,086) | (4,349) | (7,875) |
| Payments to employees | (112,571) | (568,530) | (288,357) | (13,716) | (1,542) |
| Payments for employee benefits | (41,248) | (137,377) | (93,298) | (2,860) | (200) |
| Payments for interfund services used | (13,700) | (80,460) | (62,713) | (1,500) | - |
| Net cash provided (used) by operating activities | (2,832) | (846,083) | 119,062 | (1,911) | (1,728) |
| Cash flows from noncapital financing activities | | | | | |
| Transfers to other funds | - | - | - | - | - |
| Transfers from other funds | - | 113,807 | - | 2,718 | 3,169 |
| Advances from other funds | - | - | - | - | 1,080 |
| Advances to other funds | - | - | - | (1,080) | - |
| Repayment of advances from other funds | - | - | - | - | (2,571) |
| Repayment of advances to other funds | - | - | - | 2,571 | - |
| Subsidies from federal, state and local grants | - | 638,008 | 135 | - | 50 |
| Net cash provided (used) by noncapital financing activities | - | 751,815 | 135 | 4,209 | 1,728 |
| Cash flows from capital and related financing activities | | | | | |
| Capital contributions | - | - | - | 125,100 | - |
| Purchase of capital assets | - | - | (32,000) | (184,700) | - |
| Insurance recoveries | - | - | - | 59,600 | - |
| Net cash provided (used) by capital and related financing activities | - | - | (32,000) | - | - |
| Cash flows from investing activities | | | | | |
| Proceeds from sales and maturities of investments | - | - | - | - | - |
| Purchase of investments | - | - | - | - | - |
| Interest received | 527 | 1,696 | 226 | - | - |
| Net cash provided (used) by investing activities | 527 | 1,696 | 226 | - | - |
| Net increase (decrease) in cash and pooled investments | (2,305) | (92,572) | 87,423 | 2,298 | - |
| Cash and pooled investments, June 30, 2020 | 102,466 | 330,096 | 28,555 | 1,806 | - |
| Cash and pooled investments, June 30, 2021 | \$ 100,161 | \$ 237,524 | \$ 115,978 | \$ 4,104 | \$ - |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | \$ (44,714) | \$ (978,979) | \$ 23,587 | \$ (17,483) | \$ (3,219) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 40,390 | 98,817 | 56,409 | 14,765 | - |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (10) | 3,602 | (2,062) | - | (300) |
| Prepaid expenses | - | - | (6,216) | - | - |
| Inventories | - | - | (7,807) | - | 556 |
| Pension related deferred outflows | (1,200) | 847 | (14,010) | - | - |
| OPEB related deferred outflows | 730 | 9 | 23 | - | - |
| Increase (decrease) in: | | | | | |
| Accounts payable and accruals | 359 | 7,498 | 46,143 | 240 | 1,235 |
| Compensated absences payable | (3,438) | 3,340 | 4,284 | 567 | - |
| Other post-employment benefits | (2,809) | 366 | 914 | - | - |
| Deferred revenue | 3,522 | 638 | (2,408) | - | - |
| Deposits | - | - | - | - | - |
| Net pension liability | 12,500 | 61,538 | 24,038 | - | - |
| Pension related deferred inflows | (8,169) | (43,828) | (4,005) | - | - |
| OPEB related deferred inflows | 7 | 69 | 172 | - | - |
| Total adjustments | 41,882 | 132,896 | 95,475 | 15,572 | 1,491 |
| Net cash provided (used) by operating activities | \$ (2,832) | \$ (846,083) | \$ 119,062 | \$ (1,911) | \$ (1,728) |

| Convention and Visitors Bureau | Ambulance Operations | Soccer Events | Public Housing | Total |
|---|---------------------------------|--------------------------|---------------------------|---------------------|
| \$ - | \$ 2,010,853 | \$ 37,647 | \$ 450,504 | \$ 3,643,653 |
| (134,650) | (407,230) | (17,727) | (433,957) | (1,453,633) |
| - | (119,281) | (2,488) | (222,185) | (1,328,670) |
| - | (50,889) | (379) | (103,824) | (430,075) |
| (3,800) | (79,621) | - | (36,243) | (278,037) |
| <u>(138,450)</u> | <u>1,353,832</u> | <u>17,053</u> | <u>(345,705)</u> | <u>153,238</u> |
| - | (1,437,800) | - | - | (1,437,800) |
| 99,647 | - | - | - | 219,341 |
| - | - | - | - | 1,080 |
| - | - | - | - | (1,080) |
| - | - | - | - | (2,571) |
| - | - | - | - | 2,571 |
| - | - | - | 487,124 | 1,125,317 |
| <u>99,647</u> | <u>(1,437,800)</u> | <u>-</u> | <u>487,124</u> | <u>(93,142)</u> |
| - | - | - | - | 125,100 |
| - | - | - | (5,098) | (221,798) |
| - | - | - | - | 59,600 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(5,098)</u> | <u>(37,098)</u> |
| - | - | - | 585,010 | 585,010 |
| - | - | - | (742,889) | (742,889) |
| 992 | 1,622 | 256 | 763 | 6,082 |
| <u>992</u> | <u>1,622</u> | <u>256</u> | <u>(157,116)</u> | <u>(151,797)</u> |
| (37,811) | (82,346) | 17,309 | (20,795) | (128,799) |
| <u>178,069</u> | <u>328,825</u> | <u>53,951</u> | <u>30,467</u> | <u>1,054,235</u> |
| <u>\$ 140,258</u> | <u>\$ 246,479</u> | <u>\$ 71,260</u> | <u>\$ 9,672</u> | <u>\$ 925,436</u> |
| | | | | |
| <u>\$ (128,800)</u> | <u>\$ 1,268,149</u> | <u>\$ 16,718</u> | <u>\$ (471,557)</u> | <u>\$ (336,298)</u> |
| - | 115,914 | - | 131,615 | 457,910 |
| - | 6,307 | 975 | (18,118) | (9,606) |
| - | - | - | - | (6,216) |
| - | - | - | - | (7,251) |
| - | (572) | - | (9,941) | (24,876) |
| - | 7 | - | 179 | 948 |
| (9,650) | (63,099) | (640) | 14,502 | (3,412) |
| - | (1,761) | - | 5,610 | 8,602 |
| - | 305 | - | 739 | (485) |
| - | - | - | (14,535) | (12,783) |
| - | - | - | (650) | (650) |
| - | 34,312 | - | 25,000 | 157,388 |
| - | (5,787) | - | (8,795) | (70,584) |
| - | 57 | - | 246 | 551 |
| <u>(9,650)</u> | <u>85,683</u> | <u>335</u> | <u>125,852</u> | <u>489,536</u> |
| <u>\$ (138,450)</u> | <u>\$ 1,353,832</u> | <u>\$ 17,053</u> | <u>\$ (345,705)</u> | <u>\$ 153,238</u> |

INTERNAL SERVICE FUNDS

Internal Service Funds are established to finance and account for services and commodities furnished by one department or agency of the City to other departments or agencies of the City. Internal Service Funds are as follows:

EQUIPMENT SERVICES FUND - Accounts for the operations and maintenance of the central garage. All costs incurred for the maintenance of City vehicles and operation of the facility are charged to departments on a cost reimbursement basis.

CENTRAL SUPPLIES FUND - Accounts for the central inventory of office supplies which are provided to City departments on a cost reimbursement basis.

HEALTH INSURANCE FUND - Accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to employees.

DENTAL INSURANCE FUND – Accounts for the costs related to the City's self-insurance plan which provides dental insurance benefits to employees.

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Net Position
June 30, 2021**

| | Equipment Services | Central Supplies | Health Insurance | Dental Insurance | Total |
|--|-------------------------------|-----------------------------|-----------------------------|-----------------------------|--------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and pooled investments | \$ 32,552 | \$ - | \$ 2,399,659 | \$ 97,397 | \$ 2,529,608 |
| Receivables: | | | | | |
| Interest | - | - | 142 | - | 142 |
| Accounts | 9,342 | - | 3,493 | - | 12,835 |
| Due from other funds | - | - | 2,030 | - | 2,030 |
| Inventories | 124,759 | 2,444 | - | - | 127,203 |
| Total current assets | 166,653 | 2,444 | 2,405,324 | 97,397 | 2,671,818 |
| Capital assets: | | | | | |
| Equipment | 238,244 | - | - | - | 238,244 |
| Vehicles | 67,145 | - | - | - | 67,145 |
| Less accumulated depreciation | (189,729) | - | - | - | (189,729) |
| Total capital assets net of accumulated depreciation | 115,660 | - | - | - | 115,660 |
| Total assets | 282,313 | 2,444 | 2,405,324 | 97,397 | 2,787,478 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension related deferred outflows | 46,357 | | | | 46,357 |
| OPEB related deferred outflows | 5,755 | - | - | - | 5,755 |
| Total deferred outflow of resources | 52,112 | - | - | - | 52,112 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accruals | 81,450 | 147 | 219,954 | 19,077 | 320,628 |
| Compensated absences payable | 20,234 | - | - | - | 20,234 |
| Unearned revenue | - | - | 2,779 | - | 2,779 |
| Due to other funds | - | 2,030 | - | - | 2,030 |
| Total current liabilities | 101,684 | 2,177 | 222,733 | 19,077 | 345,671 |
| Noncurrent liabilities: | | | | | |
| Compensated absences payable | 29,789 | - | - | - | 29,789 |
| Other post employment benefits | 25,879 | - | - | - | 25,879 |
| Net pension liability | 204,637 | - | - | - | 204,637 |
| Total noncurrent liabilities | 260,305 | - | - | - | 260,305 |
| Total liabilities | 361,989 | 2,177 | 222,733 | 19,077 | 605,976 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension related deferred inflows | 12,138 | - | - | - | 12,138 |
| OPEB related deferred inflows | 589 | - | - | - | 589 |
| Total deferred inflow of resources | 12,727 | - | - | - | 12,727 |
| NET POSITION (DEFICIT) | | | | | |
| Investment in capital assets | 115,660 | - | - | - | 115,660 |
| Unrestricted | (155,951) | 267 | 2,182,591 | 78,320 | 2,105,227 |
| Total net position (deficit) | \$ (40,291) | \$ 267 | \$ 2,182,591 | \$ 78,320 | \$ 2,220,887 |

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position (Deficit)
Year Ended June 30, 2021**

| | <u>Equipment Services</u> | <u>Central Supplies</u> | <u>Health Insurance</u> | <u>Dental Insurance</u> | <u>Total</u> |
|---|-------------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Operating revenues: | | | | | |
| Charges for sales and services: | | | | | |
| Services | \$ 780,305 | \$ - | \$ - | \$ - | \$ 780,305 |
| Fuel | 279,007 | - | - | - | 279,007 |
| Supply charges | - | 1,395 | - | - | 1,395 |
| Employer contributions | - | - | 3,175,989 | 72,937 | 3,248,926 |
| Employee contributions | - | - | 312,751 | 82,575 | 395,326 |
| Other contributions | - | - | 157,490 | 3,989 | 161,479 |
| Other operating revenue | <u>5,631</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,631</u> |
| Total operating revenues | <u>1,064,943</u> | <u>1,395</u> | <u>3,646,230</u> | <u>159,501</u> | <u>4,872,069</u> |
| Operating expenses: | | | | | |
| Cost of sales and services: | | | | | |
| Personal services | 379,262 | - | - | - | 379,262 |
| Commodities | 483,515 | 1,875 | - | - | 485,390 |
| Contractual services | 157,224 | - | 3,507,668 | 165,612 | 3,830,504 |
| Administration | 19,400 | - | 3,000 | - | 22,400 |
| Depreciation | <u>6,434</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,434</u> |
| Total operating expenses | <u>1,045,835</u> | <u>1,875</u> | <u>3,510,668</u> | <u>165,612</u> | <u>4,723,990</u> |
| Operating income (loss) | 19,108 | (480) | 135,562 | (6,111) | 148,079 |
| Non-operating revenues: | | | | | |
| Interest revenue | <u>-</u> | <u>-</u> | <u>5,595</u> | <u>232</u> | <u>5,827</u> |
| Income (loss) before capital contributions and transfers | 19,108 | (480) | 141,157 | (5,879) | 153,906 |
| Transfers out | <u>-</u> | <u>-</u> | <u>(56,516)</u> | <u>-</u> | <u>(56,516)</u> |
| Change in net position | 19,108 | (480) | 84,641 | (5,879) | 97,390 |
| Net position (deficit), June 30, 2020 | <u>(59,399)</u> | <u>747</u> | <u>2,097,950</u> | <u>84,199</u> | <u>2,123,497</u> |
| Net position (deficit), June 30, 2021 | <u><u>\$ (40,291)</u></u> | <u><u>\$ 267</u></u> | <u><u>\$ 2,182,591</u></u> | <u><u>\$ 78,320</u></u> | <u><u>\$ 2,220,887</u></u> |

City of Muscatine, Iowa

**Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021**

| | Equipment Services | Central Supplies | Health Insurance | Dental Insurance | Total |
|---|-------------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------|
| Cash flows from operating activities | | | | | |
| Receipts from interfund services provided | \$ 1,064,304 | \$ 1,395 | \$ 3,642,737 | \$ 159,501 | \$ 4,867,937 |
| Payments to suppliers | (620,429) | (1,919) | (3,480,212) | (167,609) | (4,270,169) |
| Payments to employees | (239,320) | - | - | - | (239,320) |
| Payments for employee benefits | (123,277) | - | - | - | (123,277) |
| Payments for interfund services used | (19,400) | - | (3,000) | - | (22,400) |
| Net cash provided (used) by operating activities | <u>61,878</u> | <u>(524)</u> | <u>159,525</u> | <u>(8,108)</u> | <u>212,771</u> |
| Cash flows from noncapital financing activities | | | | | |
| Transfers to other funds | - | - | (56,516) | - | (56,516) |
| Advances from other funds | - | 2,030 | - | - | 2,030 |
| Advances to other funds | - | - | (2,030) | - | (2,030) |
| Repayment of advances from other funds | - | (1,506) | - | - | (1,506) |
| Repayment of advances to other funds | - | - | 31,152 | - | 31,152 |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>524</u> | <u>(27,394)</u> | <u>-</u> | <u>(26,870)</u> |
| Cash flows from capital and related financing activities | | | | | |
| Purchase of capital assets | <u>(107,837)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(107,837)</u> |
| Cash flows from investing activities | | | | | |
| Interest received | <u>-</u> | <u>-</u> | <u>12,083</u> | <u>562</u> | <u>12,645</u> |
| Net increase (decrease) in cash and pooled investments | (45,959) | - | 144,214 | (7,546) | 90,709 |
| Cash and pooled investments, June 30, 2020 | <u>78,511</u> | <u>-</u> | <u>2,255,445</u> | <u>104,943</u> | <u>2,438,899</u> |
| Cash and pooled investments, June 30, 2021 | <u>\$ 32,552</u> | <u>\$ -</u> | <u>\$ 2,399,659</u> | <u>\$ 97,397</u> | <u>\$ 2,529,608</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Cash flows from operating activities: | | | | | |
| Operating income (loss) | <u>\$ 19,108</u> | <u>\$ (480)</u> | <u>\$ 135,562</u> | <u>\$ (6,111)</u> | <u>\$ 148,079</u> |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation | 6,434 | - | - | - | 6,434 |
| Changes in assets and liabilities: | | | | | |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (639) | - | (3,493) | - | (4,132) |
| Inventories | (35,021) | (172) | - | - | (35,193) |
| Pension related deferred outflows | (696) | - | - | - | (696) |
| OPEB related deferred outflows | 31 | - | - | - | 31 |
| Increase (decrease) in: | | | | | |
| Accounts payable and accruals | 57,102 | 128 | 24,677 | (1,997) | 79,910 |
| Compensated absences payable | 6,669 | - | - | - | 6,669 |
| Other post employment benefits payable | 1,218 | - | - | - | 1,218 |
| Unearned revenue | - | - | 2,779 | - | 2,779 |
| Net pension liability | 26,923 | - | - | - | 26,923 |
| Pension related deferred inflows | (19,481) | - | - | - | (19,481) |
| OPEB related deferred inflows | 230 | - | - | - | 230 |
| Total adjustments | <u>42,770</u> | <u>(44)</u> | <u>23,963</u> | <u>(1,997)</u> | <u>64,692</u> |
| Net cash provided (used) by operating activities | <u>\$ 61,878</u> | <u>\$ (524)</u> | <u>\$ 159,525</u> | <u>\$ (8,108)</u> | <u>\$ 212,771</u> |

MUSCATINE COUNTY SOLID WASTE AGENCY COMPONENT UNIT

Muscatine County Solid Waste Agency (Agency). The Agency has been organized as a joint venture under Chapter 28E of the Code of Iowa between the City of Muscatine; Muscatine County; and the municipalities of Fruitland, Stockton, West Liberty, Atalissa, Nichols, and Conesville, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Net Position
June 30, 2021**

ASSETS

Current:

| | |
|-----------------------------|--------------|
| Cash and pooled investments | \$ 1,710,962 |
| Interest receivable | 253 |

| | |
|----------------------|------------------|
| Total current assets | <u>1,711,215</u> |
|----------------------|------------------|

Restricted assets:

| | |
|-----------------------------|------------------|
| Cash and pooled investments | <u>2,594,476</u> |
|-----------------------------|------------------|

Capital assets:

| | |
|-------------------------------|--------------------|
| Land | 1,080,608 |
| Land improvements | 3,389,799 |
| Buildings | 76,098 |
| Equipment | 81,566 |
| Less accumulated depreciation | <u>(2,771,671)</u> |

| | |
|--|------------------|
| Total capital assets (net of accumulated depreciation) | <u>1,856,400</u> |
|--|------------------|

| | |
|--------------|-------------------------|
| Total assets | <u><u>6,162,091</u></u> |
|--------------|-------------------------|

LIABILITIES

Current liabilities:

| | |
|-------------------------------|--------------|
| Accounts payable and accruals | 77,049 |
| Compensated absences payable | <u>1,926</u> |

| | |
|---------------------------|---------------|
| Total current liabilities | <u>78,975</u> |
|---------------------------|---------------|

Noncurrent liabilities:

| | |
|---------------------------------|--------------|
| Closure/post-closure obligation | 4,092,274 |
| Compensated absences payable | <u>1,665</u> |

| | |
|------------------------------|------------------|
| Total noncurrent liabilities | <u>4,093,939</u> |
|------------------------------|------------------|

| | |
|-------------------|------------------|
| Total liabilities | <u>4,172,914</u> |
|-------------------|------------------|

NET POSITION

| | |
|----------------------------------|----------------|
| Net investment in capital assets | 1,856,400 |
| Unrestricted | <u>132,777</u> |

| | |
|--------------------|----------------------------|
| Total net position | <u><u>\$ 1,989,177</u></u> |
|--------------------|----------------------------|

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021**

| | |
|------------------------------|----------------------------|
| Operating revenues: | |
| Charges for services | \$ 1,130,507 |
| Total operating revenues | <u>1,130,507</u> |
| Operating expenses: | |
| Cost of services: | |
| Personal services | 69,778 |
| Commodities | 25,682 |
| Contractual services | 988,129 |
| Administration | 61,300 |
| Depreciation | <u>147,126</u> |
| Total operating expenses | <u>1,292,015</u> |
| Operating income | <u>(161,508)</u> |
| Non-operating revenue: | |
| Intergovernmental revenue | 117,177 |
| Interest revenue | <u>9,937</u> |
| Total non-operating revenues | <u>127,114</u> |
| Change in net position | (34,394) |
| Net position, June 30, 2020 | <u>2,023,571</u> |
| Net position, June 30, 2021 | <u><u>\$ 1,989,177</u></u> |

**Muscatine County Solid Waste Agency
Component Unit**

**Statement of Cash Flows
Year Ended June 30, 2021**

Cash flows from operating activities

| | |
|---|----------------|
| Receipts from customers and users | \$ 1,130,507 |
| Payments to suppliers | (882,101) |
| Payments to employees | (48,240) |
| Payments for employee benefits | (22,143) |
| Payments for interfund services used | (61,300) |
| Net cash provided by operating activities | <u>116,723</u> |

Cash flows from noncapital financing activities

| | |
|---|----------------|
| Subsidies from federal, state and local governments | <u>117,177</u> |
| Net cash provided (used) by noncapital financing activities | <u>117,177</u> |

Cash flows from investing activities

| | |
|---|---------------|
| Interest received | <u>22,020</u> |
| Net cash provided by investing activities | <u>22,020</u> |

Net increase in cash and pooled investments 255,920

Cash and pooled investments, June 30, 2020 4,049,518

Cash and pooled investments, June 30, 2021 \$ 4,305,438

Reconciliation of operating income to net cash provided by operating activities:

| | |
|---|--------------------------|
| Cash flows from operating activities: | |
| Operating income (loss) | \$ (161,508) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 147,126 |
| Changes in assets and liabilities: | |
| Increase (decrease) in: | |
| Accounts payable and accruals | (18,250) |
| Compensated absences payable | (38) |
| Closure/post-closure liability | 149,393 |
| Total adjustments | <u>278,231</u> |
| Net cash provided by operating activities | <u><u>\$ 116,723</u></u> |

STATISTICAL SECTION

This part of the City of Muscatine's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents | Page |
|---|---------|
| <u>Financial Trends (Schedules 1 – 5)</u> | 143-149 |
| <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i> | |
| <u>Revenue Capacity (Schedules 6 – 9)</u> | 150-153 |
| <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i> | |
| <u>Debt Capacity (Schedules 10 – 13)</u> | 154-157 |
| <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i> | |
| <u>Demographic and Economic Information (Schedules 14 – 15)</u> | 158-159 |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i> | |
| <u>Operating Information (Schedules 16 – 18)</u> | 160-162 |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i> | |

City of Muscatine, Iowa
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fical Year | | | | | | | | | |
|---|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 49,843,849 | \$ 51,062,032 | \$ 52,468,351 | \$ 55,396,862 | \$ 55,770,714 | \$ 60,958,092 | \$ 68,645,257 | \$ 71,749,786 | \$ 73,561,365 | \$ 77,447,711 |
| Restricted | 8,626,783 | 6,614,924 | 6,449,451 | 4,360,077 | 5,254,231 | 5,110,781 | 4,893,198 | 5,278,510 | 4,802,845 | 5,922,058 |
| Unrestricted | 2,485,584 | 2,852,152 | 1,650,177 | 6,461,002 | 6,851,290 | 8,250,964 | 2,004,424 | (14,820) | (2,612,322) | (3,040,653) |
| Total governmental activities net position | <u>\$ 60,956,216</u> | <u>\$ 60,529,108</u> | <u>\$ 60,567,979</u> | <u>\$ 66,217,941</u> | <u>\$ 67,876,235</u> | <u>\$ 74,319,837</u> | <u>\$ 75,542,879</u> | <u>\$ 77,013,476</u> | <u>\$ 75,751,888</u> | <u>\$ 80,329,116</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 64,583,715 | \$ 67,867,972 | \$ 71,207,184 | \$ 69,764,910 | \$ 73,202,711 | \$ 74,209,077 | \$ 75,432,548 | \$ 75,043,292 | \$ 79,043,719 | \$ 80,664,102 |
| Restricted | 178,360 | 136,888 | 107,422 | 108,024 | 108,677 | 110,475 | 116,009 | 117,227 | 126,916 | 128,687 |
| Unrestricted | 7,798,823 | 6,931,260 | 5,580,730 | 4,303,188 | 5,022,028 | 6,560,437 | 7,595,714 | 9,731,343 | 9,866,780 | 11,503,963 |
| Total business-type activities net position | <u>\$ 72,560,898</u> | <u>\$ 74,936,120</u> | <u>\$ 76,895,336</u> | <u>\$ 74,176,122</u> | <u>\$ 78,333,416</u> | <u>\$ 80,879,989</u> | <u>\$ 83,144,271</u> | <u>\$ 84,891,862</u> | <u>\$ 89,037,415</u> | <u>\$ 92,296,752</u> |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | \$ 114,427,564 | \$118,930,004 | \$123,675,535 | \$125,161,772 | \$128,973,425 | \$135,167,169 | \$144,077,805 | \$146,793,078 | \$152,605,084 | \$158,111,813 |
| Restricted | 8,805,143 | 6,751,812 | 6,556,873 | 4,468,101 | 5,362,908 | 5,221,256 | 5,009,207 | 5,395,737 | 4,929,761 | 6,050,745 |
| Unrestricted | 10,284,407 | 9,783,412 | 7,230,907 | 10,764,190 | 11,873,318 | 14,811,401 | 9,600,138 | 9,716,523 | 7,254,458 | 8,463,310 |
| Total primary government net position | <u>\$ 133,517,114</u> | <u>\$135,465,228</u> | <u>\$137,463,315</u> | <u>\$140,394,063</u> | <u>\$146,209,651</u> | <u>\$155,199,826</u> | <u>\$158,687,150</u> | <u>\$161,905,338</u> | <u>\$164,789,303</u> | <u>\$172,625,868</u> |

City of Muscatine, Iowa
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

| | Fical Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Public safety | \$ 7,933,672 | \$ 8,106,891 | \$ 8,701,457 | \$ 8,122,038 | \$ 8,797,894 | \$ 9,349,247 | \$ 9,848,480 | \$ 10,159,973 | \$ 11,249,523 | \$ 11,679,594 |
| Public works | 4,603,469 | 4,111,389 | 4,576,539 | 4,665,507 | 5,021,386 | 5,631,914 | 7,315,563 | 5,545,863 | 5,871,272 | 5,632,893 |
| Health and social services | 17,800 | 20,000 | 20,000 | 20,000 | 45,000 | 45,000 | 55,000 | 50,000 | 50,000 | 50,000 |
| Culture and recreation | 4,072,299 | 4,018,788 | 4,030,522 | 3,955,373 | 3,963,354 | 4,420,009 | 3,918,817 | 4,332,644 | 4,556,522 | 5,697,526 |
| Community and economic development | 3,063,468 | 3,099,380 | 3,269,232 | 3,324,446 | 3,835,492 | 4,520,932 | 4,387,887 | 4,402,409 | 5,016,984 | 4,438,422 |
| General government | 2,129,477 | 2,352,743 | 2,385,047 | 2,564,538 | 2,667,443 | 3,101,457 | 3,605,887 | 3,661,530 | 3,648,966 | 3,270,926 |
| Interest and fees on long-term debt | 504,515 | 496,578 | 423,211 | 426,846 | 379,115 | 328,466 | 289,578 | 305,361 | 263,120 | 280,124 |
| Total governmental activities expense | <u>22,324,700</u> | <u>22,205,769</u> | <u>23,406,008</u> | <u>23,078,748</u> | <u>24,709,684</u> | <u>27,397,025</u> | <u>29,421,212</u> | <u>28,457,780</u> | <u>30,656,387</u> | <u>31,049,485</u> |
| Business-type activities: | | | | | | | | | | |
| Water pollution control | 5,757,128 | 6,088,562 | 6,898,082 | 7,189,980 | 6,628,762 | 6,289,874 | 6,334,906 | 6,914,396 | 6,943,121 | 8,083,096 |
| Transfer station | 2,302,385 | 2,140,480 | 2,292,207 | 2,466,385 | 2,400,592 | 2,218,056 | 2,658,974 | 2,456,161 | 2,245,386 | 2,271,398 |
| Refuse collection | 2,015,577 | 2,068,419 | 2,156,260 | 2,235,480 | 2,333,812 | 2,203,986 | 2,183,165 | 2,226,253 | 2,196,991 | 2,307,720 |
| Airport | 462,094 | 551,499 | 501,897 | 494,037 | 421,115 | 531,974 | 507,434 | 510,418 | 469,323 | 437,402 |
| Parking | 244,115 | 237,933 | 236,762 | 228,917 | 240,745 | 245,558 | 259,797 | 247,032 | 241,560 | 217,051 |
| Transit | 1,077,339 | 1,121,524 | 1,091,925 | 1,023,229 | 999,884 | 1,048,924 | 1,067,392 | 1,128,327 | 1,083,419 | 1,071,837 |
| Golf course | 871,848 | 864,167 | 827,963 | 774,271 | 790,351 | 777,639 | 784,792 | 742,773 | 794,259 | 819,126 |
| Boat harbor | 31,036 | 27,878 | 29,463 | 28,210 | 28,205 | 31,738 | 100,373 | 30,948 | 30,182 | 37,997 |
| Marina | 19,507 | 13,873 | 8,589 | 12,623 | 12,061 | 7,490 | 9,305 | 7,302 | 6,472 | 11,408 |
| Convention and visitors bureau | - | - | - | - | 83,397 | 92,062 | 106,177 | 90,793 | 106,593 | 128,800 |
| Ambulance | 473,350 | 500,046 | 558,157 | 539,780 | 624,785 | 636,805 | 664,364 | 667,276 | 661,470 | 734,058 |
| Soccer Events | - | - | - | - | - | - | 5,935 | 47,409 | 51,905 | 19,954 |
| Public housing | 1,164,215 | 1,089,036 | 1,173,841 | 1,078,474 | 1,058,502 | 1,040,688 | 912,553 | 918,038 | 993,184 | 944,046 |
| Total business-type activities expense | <u>14,418,594</u> | <u>14,703,417</u> | <u>15,775,146</u> | <u>16,071,386</u> | <u>15,622,211</u> | <u>15,124,794</u> | <u>15,595,167</u> | <u>15,987,126</u> | <u>15,823,865</u> | <u>17,083,893</u> |
| Total primary government expense | <u>\$ 36,743,294</u> | <u>\$ 36,909,186</u> | <u>\$ 39,181,154</u> | <u>\$ 39,150,134</u> | <u>\$ 40,331,895</u> | <u>\$ 42,521,819</u> | <u>\$ 45,016,379</u> | <u>\$ 44,444,906</u> | <u>\$ 46,480,252</u> | <u>\$ 48,133,378</u> |

(Continued)

| | Fical Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| (Continued) | | | | | | | | | | |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Public safety | \$ 1,230,430 | \$ 1,137,537 | \$ 1,024,538 | \$ 1,136,430 | \$ 1,152,410 | \$ 1,031,206 | \$ 958,184 | \$ 664,986 | \$ 807,220 | \$ 905,951 |
| Public works | 634,870 | 224,263 | 290,158 | 486,680 | 156,247 | 125,198 | 162,033 | 203,112 | 214,523 | 420,849 |
| Culture and recreation | 545,297 | 488,456 | 485,838 | 541,931 | 565,515 | 535,939 | 526,920 | 476,309 | 390,270 | 551,621 |
| Community and economic development | 426,917 | 456,674 | 418,418 | 492,972 | 458,379 | 519,157 | 772,325 | 528,938 | 486,714 | 413,815 |
| General government | 529,471 | 747,062 | 721,830 | 725,488 | 722,068 | 813,198 | 793,173 | 823,217 | 885,678 | 788,502 |
| Operating grants and contributions | 4,915,000 | 4,922,364 | 5,028,968 | 5,177,955 | 5,744,949 | 6,267,606 | 5,629,280 | 6,187,745 | 5,971,139 | 6,287,586 |
| Capital grants and contributions | 1,398,288 | 767,392 | 2,014,424 | 2,250,427 | 561,749 | 6,583,878 | 3,454,124 | 1,278,580 | 1,135,003 | 4,325,984 |
| Total governmental activities program revenues | <u>9,680,273</u> | <u>8,743,748</u> | <u>9,984,174</u> | <u>10,811,883</u> | <u>9,361,317</u> | <u>15,876,182</u> | <u>12,296,039</u> | <u>10,162,887</u> | <u>9,890,547</u> | <u>13,694,308</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Water pollution control | 4,947,231 | 5,399,757 | 5,445,722 | 5,606,425 | 5,738,763 | 6,037,872 | 6,214,446 | 6,721,780 | 6,961,278 | 7,382,166 |
| Transfer station | 1,958,817 | 1,850,428 | 1,992,637 | 2,190,403 | 2,125,064 | 2,247,965 | 2,404,592 | 2,387,815 | 2,246,507 | 2,195,824 |
| Refuse collection | 2,110,442 | 2,137,772 | 2,164,865 | 2,172,876 | 2,192,597 | 2,204,645 | 2,240,701 | 2,297,675 | 2,372,780 | 2,366,675 |
| Airport | 42,124 | 69,136 | 69,495 | 69,189 | 74,379 | 77,015 | 78,178 | 76,495 | 83,328 | 87,340 |
| Parking | 182,220 | 177,415 | 190,844 | 204,458 | 218,424 | 217,742 | 220,535 | 196,225 | 167,081 | 174,486 |
| Transit | 177,055 | 179,622 | 184,755 | 189,163 | 240,930 | 373,610 | 251,968 | 174,961 | 132,968 | 97,492 |
| Golf course | 874,501 | 740,694 | 761,256 | 763,269 | 770,450 | 747,973 | 762,327 | 681,182 | 764,809 | 847,202 |
| Boat harbor | 39,814 | 28,665 | 22,633 | 20,081 | 21,293 | 15,243 | 96,930 | 3,890 | 19,396 | 20,514 |
| Marina | 18,757 | 13,079 | 8,080 | 12,223 | 11,441 | 6,266 | 8,087 | 5,241 | 4,242 | 8,189 |
| Convention and visitors bureau | - | - | - | - | 4,360 | 4,727 | 325 | - | 425 | - |
| Ambulance | 1,167,042 | 1,351,714 | 1,305,347 | 1,367,422 | 1,511,905 | 1,538,062 | 1,649,717 | 1,636,682 | 2,129,341 | 2,004,547 |
| Soccer Events | - | - | - | - | - | - | 67,748 | 61,027 | 13,446 | 36,672 |
| Public housing | 542,721 | 475,486 | 473,576 | 465,212 | 488,197 | 425,454 | 455,053 | 491,398 | 490,803 | 483,807 |
| Operating grants and contributions | 659,185 | 820,150 | 920,279 | 963,100 | 1,045,579 | 1,207,303 | 1,133,238 | 1,113,863 | 1,484,888 | 1,570,900 |
| Capital grants and contributions | 661,419 | 561,426 | 532,157 | 497,661 | 3,463,587 | 1,018,914 | 406,036 | 113,706 | 704,054 | 2,053,828 |
| Total business-type activities program revenues | <u>13,381,328</u> | <u>13,805,344</u> | <u>14,071,646</u> | <u>14,521,482</u> | <u>17,906,969</u> | <u>16,122,791</u> | <u>15,989,881</u> | <u>15,961,940</u> | <u>17,575,346</u> | <u>19,329,642</u> |
| Total primary government program revenues | <u>\$ 23,061,601</u> | <u>\$ 22,549,092</u> | <u>\$ 24,055,820</u> | <u>\$ 25,333,365</u> | <u>\$ 27,268,286</u> | <u>\$ 31,998,973</u> | <u>\$ 28,285,920</u> | <u>\$ 26,124,827</u> | <u>\$ 27,465,893</u> | <u>\$ 33,023,950</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (12,644,427) | \$ (13,462,021) | \$ (13,421,834) | \$ (12,266,865) | \$ (15,348,367) | \$ (11,520,843) | \$ (17,125,173) | \$ (18,294,893) | \$ (20,765,840) | \$ (17,355,177) |
| Business-type activities | <u>(1,037,266)</u> | <u>(898,073)</u> | <u>(1,703,500)</u> | <u>(1,549,904)</u> | <u>2,284,758</u> | <u>997,997</u> | <u>394,714</u> | <u>(25,186)</u> | <u>1,751,481</u> | <u>2,245,749</u> |
| Total primary government net expense | <u>\$ (13,681,693)</u> | <u>\$ (14,360,094)</u> | <u>\$ (15,125,334)</u> | <u>\$ (13,816,769)</u> | <u>\$ (13,063,609)</u> | <u>\$ (10,522,846)</u> | <u>\$ (16,730,459)</u> | <u>\$ (18,320,079)</u> | <u>\$ (19,014,359)</u> | <u>\$ (15,109,428)</u> |
| (Continued) | | | | | | | | | | |

| | Fical Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| (Continued) | | | | | | | | | | |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 12,861,006 | \$ 13,117,510 | \$ 13,427,094 | \$ 13,675,667 | \$ 14,432,728 | \$ 14,997,905 | \$ 15,572,193 | \$ 15,941,284 | \$ 16,638,396 | \$ 16,783,749 |
| Utility taxes | 58,048 | 57,576 | 56,387 | 52,923 | 58,665 | 47,357 | 58,394 | 49,050 | 53,623 | 62,736 |
| Local option sales tax | 2,543,654 | 2,567,849 | 2,750,000 | 2,810,233 | 2,789,212 | 2,921,698 | 3,015,029 | 3,206,407 | 2,940,519 | 3,693,591 |
| Hotel/motel taxes | 347,771 | 335,701 | 415,041 | 353,869 | 361,803 | 441,079 | 521,993 | 494,951 | 398,588 | 374,449 |
| Cable franchise taxes | 225,902 | 222,288 | 212,286 | 191,331 | 189,044 | 176,095 | 165,004 | 158,717 | 143,166 | 132,287 |
| Utility franchise taxes | 170,225 | 103,931 | 113,660 | 96,810 | 81,308 | 81,399 | 102,859 | 220,448 | 440,654 | 456,312 |
| Intergovernmental, unrestricted | 156,229 | 150,031 | 115,185 | 13,418,365 | 808,792 | 663,441 | 643,339 | 705,064 | 710,704 | 1,208,683 |
| Unrestricted investment income | 16,177 | 13,582 | 14,256 | 130,276 | 136,940 | 143,193 | 290,858 | 445,013 | 325,962 | 42,870 |
| Gain on sale of capital assets | - | - | - | - | - | - | - | 75,000 | - | 150,850 |
| Contributions to endowments | 6,373 | 6,958 | 5,726 | 4,178 | 11,654 | 4,021 | 3,941 | 7,516 | 4,580 | 11,794 |
| Transfers | (1,144,303) | (3,392,510) | (3,648,930) | (1,258,250) | (1,863,485) | (1,511,743) | (1,825,292) | (1,537,960) | (2,151,940) | (984,916) |
| Total governmental activities | <u>15,241,082</u> | <u>13,182,916</u> | <u>13,460,705</u> | <u>29,475,402</u> | <u>17,006,661</u> | <u>17,964,445</u> | <u>18,548,318</u> | <u>19,765,490</u> | <u>19,504,252</u> | <u>21,932,405</u> |
| Business-type activities: | | | | | | | | | | |
| Unrestricted investment income | 17,875 | 9,379 | 10,222 | 10,057 | 9,051 | 36,833 | 107,515 | 234,817 | 217,382 | 28,672 |
| Gain (loss) on sale of capital assets | - | 19,874 | 3,564 | - | - | - | - | - | 24,750 | - |
| Transfers | 1,144,303 | 3,392,510 | 3,648,930 | 1,258,250 | 1,863,485 | 1,511,743 | 1,825,292 | 1,537,960 | 2,151,940 | 984,916 |
| Dissolution of component unit | - | - | - | 56,616 | - | - | - | - | - | - |
| Total business-type activities | <u>1,162,178</u> | <u>3,421,763</u> | <u>3,662,716</u> | <u>1,324,923</u> | <u>1,872,536</u> | <u>1,548,576</u> | <u>1,932,807</u> | <u>1,772,777</u> | <u>2,394,072</u> | <u>1,013,588</u> |
| Total primary government | <u>\$ 16,403,260</u> | <u>\$ 16,604,679</u> | <u>\$ 17,123,421</u> | <u>\$ 30,800,325</u> | <u>\$ 18,879,197</u> | <u>\$ 19,513,021</u> | <u>\$ 20,481,125</u> | <u>\$ 21,538,267</u> | <u>\$ 21,898,324</u> | <u>\$ 22,945,993</u> |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | \$ 2,596,655 | \$ (279,105) | \$ 38,871 | \$ 17,208,537 | \$ 1,658,294 | \$ 6,443,602 | \$ 1,423,145 | \$ 1,470,597 | \$ (1,261,588) | \$ 4,577,228 |
| Business-type activities | <u>124,912</u> | <u>2,523,690</u> | <u>1,959,216</u> | <u>(224,981)</u> | <u>4,157,294</u> | <u>2,546,573</u> | <u>2,327,521</u> | <u>1,747,591</u> | <u>4,145,553</u> | <u>3,259,337</u> |
| Total primary government | <u>\$ 2,721,567</u> | <u>\$ 2,244,585</u> | <u>\$ 1,998,087</u> | <u>\$ 16,983,556</u> | <u>\$ 5,815,588</u> | <u>\$ 8,990,175</u> | <u>\$ 3,750,666</u> | <u>\$ 3,218,188</u> | <u>\$ 2,883,965</u> | <u>\$ 7,836,565</u> |

Schedule 3

City of Muscatine, Iowa
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | <u>2011/12</u> | <u>2012/13</u> | <u>2013/14</u> | <u>2014/15</u> | <u>2015/16</u> | <u>2016/17</u> | <u>2017/18</u> | <u>2018/19</u> | <u>2019/20</u> | <u>2020/21</u> |
|------------------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 5,221 | \$ 88,328 | \$ 40,843 | \$ 2,974 | \$ 117,190 | \$ 64,944 | \$ 2,984 | \$ 150,602 | \$ 80,245 | \$ 1,286 |
| Assigned | 256,263 | 506,407 | 430,858 | 396,519 | 445,593 | 343,057 | 349,905 | 402,121 | 253,575 | 416,571 |
| Unassigned | <u>3,319,319</u> | <u>3,073,412</u> | <u>3,388,877</u> | <u>3,984,638</u> | <u>4,035,533</u> | <u>4,328,414</u> | <u>4,821,465</u> | <u>4,732,497</u> | <u>4,772,168</u> | <u>5,819,799</u> |
| Total General Fund | <u>\$ 3,580,803</u> | <u>\$ 3,668,147</u> | <u>\$ 3,860,578</u> | <u>\$ 4,384,131</u> | <u>\$ 4,598,316</u> | <u>\$ 4,736,415</u> | <u>\$ 5,174,354</u> | <u>\$ 5,285,220</u> | <u>\$ 5,105,988</u> | <u>\$ 6,237,656</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ 1,314,714 | \$ 1,226,852 | \$ 988,000 | \$ 992,178 | \$ 1,003,832 | \$ 1,007,853 | \$ 1,011,794 | \$ 1,019,310 | \$ 1,023,890 | \$ 1,035,684 |
| Assigned | - | - | - | 13,160,939 | 12,715,352 | 12,963,012 | 7,722,138 | 6,537,750 | 5,097,320 | 2,064,022 |
| Restricted | 7,651,467 | 5,632,650 | 5,608,054 | 3,438,043 | 5,713,190 | 5,034,619 | 5,564,980 | 4,246,648 | 6,818,066 | 6,719,826 |
| Unassigned | <u>(232,181)</u> | <u>(208,308)</u> | <u>(190,622)</u> | <u>(473,188)</u> | <u>(22,842)</u> | <u>(57,818)</u> | <u>(53,567)</u> | <u>(136,849)</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 8,734,000</u> | <u>\$ 6,651,194</u> | <u>\$ 6,405,432</u> | <u>\$ 17,117,972</u> | <u>\$ 19,409,532</u> | <u>\$ 18,947,666</u> | <u>\$ 14,245,345</u> | <u>\$ 11,666,859</u> | <u>\$ 12,939,276</u> | <u>\$ 9,819,532</u> |

City of Muscatine, Iowa
Changes of Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| | <u>2011/2012</u> | <u>2012/2013</u> | <u>2013/2014</u> | <u>2014/2015</u> | <u>2015/2016</u> | <u>2016/2017</u> | <u>2017/2018</u> | <u>2018/2019</u> | <u>2019/2020</u> | <u>2020/2021</u> |
|--|---------------------|-----------------------|--------------------|----------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|-----------------------|
| Revenues | | | | | | | | | | |
| Taxes | \$ 16,318,451 | \$ 16,361,663 | \$ 16,901,816 | \$ 17,166,787 | \$ 17,910,556 | \$ 18,677,783 | \$ 19,408,472 | \$ 20,175,857 | \$ 20,540,552 | \$ 21,602,517 |
| Licenses and permits | 308,385 | 390,491 | 354,747 | 349,228 | 389,596 | 426,847 | 562,284 | 440,277 | 303,758 | 226,375 |
| Fines and forfeitures | 1,029,833 | 895,789 | 815,217 | 1,011,189 | 997,069 | 862,417 | 723,406 | 492,157 | 639,514 | 727,760 |
| Intergovernmental | 6,449,297 | 4,967,887 | 6,743,559 | 19,630,123 | 6,498,820 | 8,073,335 | 6,924,799 | 6,553,355 | 7,192,177 | 8,087,746 |
| Charges for services | 556,802 | 527,813 | 560,435 | 560,286 | 573,758 | 579,213 | 560,780 | 523,863 | 436,956 | 537,842 |
| Use of money and property | 226,243 | 207,593 | 179,505 | 250,866 | 265,333 | 274,773 | 353,800 | 508,096 | 388,013 | 140,944 |
| Other | 1,526,397 | 1,308,325 | 1,015,792 | 1,305,093 | 1,301,347 | 5,056,998 | 3,947,364 | 2,632,100 | 1,645,687 | 1,931,972 |
| Total revenues | <u>26,415,408</u> | <u>24,659,561</u> | <u>26,571,071</u> | <u>40,273,572</u> | <u>27,936,479</u> | <u>33,951,366</u> | <u>32,480,905</u> | <u>31,325,705</u> | <u>31,146,657</u> | <u>33,255,156</u> |
| Expenditures | | | | | | | | | | |
| Public safety | 7,414,924 | 7,703,992 | 8,074,534 | 8,197,707 | 8,313,401 | 8,867,219 | 9,137,545 | 9,554,157 | 9,507,769 | 10,118,048 |
| Public works | 1,998,400 | 1,829,551 | 2,226,055 | 2,146,395 | 2,037,427 | 2,262,483 | 2,112,243 | 2,660,909 | 2,537,951 | 2,665,965 |
| Health and social services | 17,800 | 20,000 | 20,000 | 20,000 | 45,000 | 45,000 | 55,000 | 50,000 | 50,000 | 50,000 |
| Culture and recreation | 2,834,621 | 2,784,267 | 2,803,820 | 2,876,002 | 2,940,980 | 3,086,488 | 3,104,798 | 3,179,793 | 3,203,989 | 3,352,567 |
| Community and economic development | 3,109,089 | 3,120,334 | 3,086,391 | 3,266,613 | 3,811,936 | 3,921,777 | 4,361,461 | 4,396,896 | 4,836,175 | 4,392,978 |
| General government | 1,981,756 | 2,049,017 | 2,211,147 | 2,100,678 | 2,295,600 | 2,574,045 | 2,660,370 | 2,613,798 | 2,980,206 | 2,753,012 |
| Capital outlay | 5,648,873 | 3,655,151 | 5,095,332 | 6,319,416 | 4,731,052 | 9,243,901 | 14,201,919 | 6,905,402 | 8,231,017 | 8,027,096 |
| Debt service: | | | | | | | | | | |
| Principal | 1,675,000 | 2,735,000 | 1,695,000 | 2,455,000 | 3,840,000 | 2,415,000 | 2,635,000 | 2,545,000 | 2,710,000 | 2,560,000 |
| Interest | 508,615 | 508,706 | 430,422 | 445,161 | 389,568 | 398,755 | 333,660 | 401,483 | 331,155 | 392,466 |
| Paying agent | 2,700 | 2,800 | 2,250 | 2,000 | 2,500 | 2,000 | 2,300 | 2,600 | 2,900 | 2,700 |
| Bond issuance costs | 28,329 | 15,021 | - | - | 17,355 | - | - | - | - | - |
| Total expenditures | <u>25,220,107</u> | <u>24,423,839</u> | <u>25,644,951</u> | <u>27,828,972</u> | <u>28,424,819</u> | <u>32,816,668</u> | <u>38,604,296</u> | <u>32,310,038</u> | <u>34,391,162</u> | <u>34,314,832</u> |
| Excess of revenues over (under) expenditures | <u>1,195,301</u> | <u>235,722</u> | <u>926,120</u> | <u>12,444,600</u> | <u>(488,340)</u> | <u>1,134,698</u> | <u>(6,123,391)</u> | <u>(984,333)</u> | <u>(3,244,505)</u> | <u>(1,059,676)</u> |
| Other financing sources (uses) | | | | | | | | | | |
| General obligation bonds issued | 4,496,400 | - | 2,575,000 | - | 3,250,879 | - | 3,334,242 | - | 6,310,000 | - |
| General obligation bond premium (discount) | - | - | 48,595 | - | 211,712 | - | 296,701 | - | 124,788 | - |
| Refunding bonds issued | 218,600 | 1,115,000 | - | - | 1,299,121 | - | - | - | - | - |
| Refunding bond premium | - | - | - | - | 44,328 | - | - | - | - | - |
| Transfers in | 7,139,163 | 7,029,778 | 7,285,804 | 8,775,997 | 8,784,455 | 9,486,825 | 9,185,446 | 9,692,035 | 10,119,210 | 10,968,091 |
| Transfers out | (8,235,432) | (10,375,962) | (10,888,850) | (9,984,504) | (10,596,410) | (10,945,290) | (10,957,380) | (11,175,322) | (12,216,308) | (11,896,491) |
| Total other financing sources (uses) | <u>3,618,731</u> | <u>(2,231,184)</u> | <u>(979,451)</u> | <u>(1,208,507)</u> | <u>2,994,085</u> | <u>(1,458,465)</u> | <u>1,859,009</u> | <u>(1,483,287)</u> | <u>4,337,690</u> | <u>(928,400)</u> |
| Net change in fund balances | <u>\$ 4,814,032</u> | <u>\$ (1,995,462)</u> | <u>\$ (53,331)</u> | <u>\$ 11,236,093</u> | <u>\$ 2,505,745</u> | <u>\$ (323,767)</u> | <u>\$ (4,264,382)</u> | <u>\$ (2,467,620)</u> | <u>\$ 1,093,185</u> | <u>\$ (1,988,076)</u> |
| Debt service as a percentage of non-capital expenditures | 10.7% | 15.2% | 10.0% | 12.9% | 17.0% | 11.0% | 10.8% | 11.2% | 11.2% | 10.6% |

Schedule 5

City of Muscatine, Iowa
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

| <u>Fiscal Year</u> | <u>General Property Tax</u> | <u>Incremental Property Tax (TIF Districts)</u> | <u>Utility Excise Tax</u> | <u>Mobile Home Tax</u> | <u>Hotel/Motel Tax</u> | <u>Cable Franchise Tax</u> | <u>Utility Franchise Tax (1)</u> | <u>Local Option Sales Tax</u> | <u>Total</u> |
|-------------------------------|--|--|--|---------------------------------------|-----------------------------------|---|---|--|---------------------|
| 2011/2012 | \$ 12,031,835 | \$ 810,293 | \$ 58,049 | \$ 18,878 | \$ 347,771 | \$ 225,902 | \$ 170,225 | \$ 2,655,498 | \$ 16,318,451 |
| 2012/2013 | 12,260,308 | 837,307 | 57,576 | 19,895 | 335,701 | 222,288 | 103,931 | 2,524,657 | 16,361,663 |
| 2013/2014 | 12,528,822 | 874,512 | 56,387 | 23,760 | 415,041 | 212,286 | 113,660 | 2,677,348 | 16,901,816 |
| 2014/2015 | 12,564,572 | 1,075,970 | 52,923 | 35,125 | 353,869 | 191,331 | 96,810 | 2,796,187 | 17,166,787 |
| 2015/2016 | 12,434,982 | 1,961,342 | 58,665 | 36,404 | 361,803 | 189,044 | 81,308 | 2,787,008 | 17,910,556 |
| 2016/2017 | 13,086,357 | 1,875,600 | 47,357 | 35,948 | 441,079 | 176,095 | 81,399 | 2,933,948 | 18,677,783 |
| 2017/2018 | 13,460,719 | 2,074,119 | 58,394 | 37,355 | 521,993 | 165,004 | 102,859 | 2,988,029 | 19,408,472 |
| 2018/2019 | 13,848,455 | 2,051,795 | 49,050 | 41,034 | 494,951 | 158,716 | 220,448 | 3,311,407 | 20,175,856 |
| 2019/2020 | 14,032,072 | 2,472,102 | 53,623 | 34,828 | 398,588 | 143,166 | 440,654 | 2,965,519 | 20,540,552 |
| 2020/2021 | 14,354,535 | 2,490,235 | 62,735 | 38,373 | 374,449 | 132,287 | 456,312 | 3,693,591 | 21,602,517 |
| Change 2011/2012 to 2020/2021 | 19.3% | 207.3% | 8.1% | 103.3% | 7.7% | -41.4% | 168.1% | 39.1% | 32.4% |

1. A Utility Franchise Fee on the provider of natural gas services was implemented in 2010/2011 at the rate of 2%. This rate was reduced to 1% for 2012/2013 through 2017/2018. This rate was increased to 2% for 2018/2019 and to 5% for 2019/2020 and 2020/2021.

City of Muscatine, Iowa
Taxable Value and Estimated Actual Value of Property
Last Ten Fiscal Years
(Unaudited)

| Tax Collection Year | Residential Property | Commercial Property | Industrial Property | Multi- Residential (1) | Railroads and Utilities | Less: Military Exemption | Total Taxable Value | Total Direct Tax Rate (per \$1,000 of Valuation) | Estimated Actual Value | Taxable Value as a Percentage of Estimated Actual Value |
|------------------------------------|---------------------------------|--------------------------------|--------------------------------|-----------------------------------|------------------------------------|---|------------------------------------|---|---------------------------------------|--|
| 2011/2012 | \$397,168,357 | \$235,275,621 | \$118,497,883 | N/A | \$ 7,339,282 | \$ 2,070,643 | \$756,210,500 | \$ 15.77146 | \$ 1,182,251,155 | 64.0% |
| 2012/2013 | 418,570,988 | 236,549,608 | 117,483,923 | N/A | 7,085,446 | 2,001,533 | 777,688,432 | 15.67209 | 1,187,559,428 | 65.5% |
| 2013/2014 | 439,988,430 | 233,677,171 | 116,856,275 | N/A | 6,629,974 | 1,946,036 | 795,205,814 | 15.67209 | 1,191,824,137 | 66.7% |
| 2014/2015 | 450,842,402 | 232,698,429 | 106,765,755 | N/A | 5,786,469 | 1,871,992 | 794,221,063 | 15.67209 | 1,195,115,199 | 66.5% |
| 2015/2016 | 461,629,813 | 218,659,686 | 97,565,025 | N/A | 5,032,917 | 1,812,242 | 781,075,199 | 15.67209 | 1,193,627,101 | 65.4% |
| 2016/2017 | 476,813,707 | 201,892,371 | 108,073,772 | \$ 33,837,709 | 4,669,990 | 1,721,595 | 823,565,954 | 15.67209 | 1,253,806,921 | 65.7% |
| 2017/2018 | 491,066,816 | 209,041,414 | 111,796,825 | 32,996,982 | 4,613,164 | 1,680,836 | 847,834,365 | 15.67209 | 1,272,831,442 | 66.6% |
| 2018/2019 | 489,430,931 | 221,925,876 | 124,695,505 | 33,261,173 | 4,886,272 | 1,617,336 | 872,582,421 | 15.67209 | 1,321,975,383 | 66.0% |
| 2019/2020 | 504,858,389 | 223,837,935 | 125,927,119 | 30,151,651 | 5,394,181 | 1,542,716 | 888,626,559 | 15.67209 | 1,332,788,748 | 66.7% |
| 2020/2021 | 504,040,953 | 230,377,751 | 129,529,216 | 28,419,164 | 5,365,456 | 1,464,932 | 896,267,608 | 15.67209 | 1,375,439,414 | 65.2% |

1. Multi-residential properties were included with commercial properties until January 1, 2015. These properties include mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, and properties with three or more separate living quarters. These properties were rolled back from 90% to 86.25% for January 1, 2015, to 82.50% for January 1, 2016, to 78.75% for January 1, 2017, to 75.00% for January 1, 2018, and to 67.50% for January 1, 2019. These properties will continue to be rolled back over the next three years until the rollback is equal to the rollback for residential properties.

Source: Muscatine County Auditor's Office

City of Muscatine, Iowa
Direct and Overlapping Property Tax Rates
(Rates per \$1,000 of Valuation)
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | City Direct Rates | | | | | | | Overlapping Rates | | | Totals by School District | |
|-------------|-------------------|------------------|--------------|------------|----------------|------------|-------------------|---------------------|---------------------|----------------------------|---------------------------|----------------------------|
| | General Fund | Employee Benefit | Debt Service | Transit | Tort Liability | Levee | Total Direct Rate | County Consolidated | School Districts | | Muscatine Community | Louisa-Muscatine Community |
| | | | | | | | | | Muscatine Community | Louisa-Muscatine Community | | |
| 2011/2012 | \$ 8.10000 | \$ 4.06191 | \$ 2.85051 | \$ 0.39489 | \$ 0.29665 | \$ 0.06750 | \$ 15.77146 | \$ 9.51343 | \$ 15.36192 | \$ 13.78625 | \$ 40.64681 | \$ 39.07114 |
| 2012/2013 | 8.10000 | 3.87206 | 2.90388 | 0.40950 | 0.31915 | 0.06750 | 15.67209 | 9.12600 | 15.35345 | 11.97595 | 40.15154 | 36.77404 |
| 2013/2014 | 8.10000 | 3.80682 | 2.89226 | 0.47582 | 0.32969 | 0.06750 | 15.67209 | 9.09395 | 15.27597 | 10.58609 | 40.04201 | 35.35213 |
| 2014/2015 | 8.10000 | 3.85118 | 2.89056 | 0.36764 | 0.39521 | 0.06750 | 15.67209 | 9.09808 | 15.42605 | 11.20916 | 40.19622 | 35.97933 |
| 2015/2016 | 8.10000 | 4.11611 | 2.79677 | 0.30282 | 0.28889 | 0.06750 | 15.67209 | 9.36435 | 15.80950 | 12.39496 | 40.84594 | 37.43140 |
| 2016/2017 | 8.10000 | 4.25714 | 2.78470 | 0.23071 | 0.28031 | 0.01923 | 15.67209 | 9.44359 | 15.53914 | 12.84927 | 40.65482 | 37.96495 |
| 2017/2018 | 8.10000 | 4.43100 | 2.69458 | 0.11240 | 0.26661 | 0.06750 | 15.67209 | 9.07348 | 14.91989 | 12.29400 | 39.66546 | 37.03957 |
| 2018/2019 | 8.10000 | 4.70408 | 2.53669 | 0.05710 | 0.27422 | - | 15.67209 | 8.67942 | 14.82884 | 11.34850 | 39.18035 | 35.70001 |
| 2019/2020 | 8.10000 | 4.59481 | 2.60018 | 0.05607 | 0.32103 | - | 15.67209 | 9.30678 | 13.83172 | 11.15953 | 38.81059 | 36.13840 |
| 2020/2021 | 8.10000 | 4.78659 | 2.34955 | 0.11987 | 0.31608 | - | 15.67209 | 8.96278 | 13.51952 | 10.79597 | 38.15439 | 35.43084 |

Notes - Per State statutes maximum tax rates apply to the General Fund, Transit, Levee and Emergency levies. The City has been at the maximum rate of \$8.10 for the General Fund, and \$0.0675 for the Levee in prior years as shown above. A maximum rate of \$.95 applies to the Transit tax and a maximum rate of \$.27 applies to the Emergency tax; the City's Transit and Emergency levies are less than the maximum allowed.

Source: Muscatine County Auditor's Office

**City of Muscatine, Iowa
Principal Property Tax Payers
Current Year and Nine Years Ago
(Unaudited)**

| <u>Taxpayer</u> | <u>January 1, 2019 Valuation (for 2020/2021 Tax Levy)</u> | | | <u>January 1, 2010 Valuation (for 2011/2012 Tax Levy)</u> | | |
|---|--|--------------------|--|--|--------------------|--|
| | <u>Taxable Valuation (1)</u> | <u>Rank</u> | <u>Percent of Total Taxable Value</u> | <u>Taxable Valuation (1)</u> | <u>Rank</u> | <u>Percent of Total Taxable Value</u> |
| Grain Processing/Kent Feeds | \$ 47,459,620 | 1 | 5.3% | \$ 39,186,620 | 1 | 5.2% |
| HNI Corporation (HON Industries/HON Financial) | 41,858,332 | 2 | 4.7% | 33,775,630 | 2 | 4.5% |
| Wal-View Developments | 29,683,431 | 3 | 3.3% | | | |
| MLC Land Company | 18,310,536 | 4 | 2.0% | | | |
| Menard Inc. | 10,056,375 | 5 | 1.1% | 9,704,700 | 6 | 1.3% |
| Heinz, U.S.A. | 9,787,968 | 6 | 1.1% | 11,760,240 | 3 | 1.6% |
| Wal-Mart Stores, Inc. | 9,092,610 | 7 | 1.0% | 10,202,870 | 4 | 1.3% |
| Sodarak Properties, LLC (Property formerly owned by Riverbend Leasing, LLC) | 9,023,216 | 8 | 1.0% | 7,915,050 | 9 | 1.0% |
| Muscatine Downtown Investors | 8,554,616 | 9 | 1.0% | | | |
| Bridgestone Bandag LLC / Bandag, Inc. | 8,511,255 | 10 | 0.9% | 8,552,610 | 7 | 1.1% |
| GRIDCO, LLC | 6,803,139 | 11 | 0.8% | 7,581,400 | 10 | 1.0% |
| LHV Muscatine LLC/Hy-Vee Inc | 6,375,888 | 12 | 0.7% | 5,831,090 | 14 | 0.8% |
| Store Master Funding XIV LLC | 5,430,240 | 13 | | | | |
| W I D, Inc. | 5,416,938 | 14 | 0.6% | 5,435,250 | 16 | 0.7% |
| First National Bank of Muscatine | 5,388,876 | 15 | 0.6% | 6,179,360 | 13 | 0.8% |
| Muscatine Plaza Properties | 4,988,991 | 16 | 0.6% | | | |
| Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet) | 4,922,631 | 17 | 0.5% | 7,003,000 | 11 | 0.9% |
| SECO Investment Co. (Stanley Engineering Co.) | 4,681,044 | 18 | 0.5% | 5,264,280 | 17 | 0.7% |
| BT Prime Mover | 4,560,129 | 19 | 0.5% | 5,724,810 | 15 | 0.8% |
| Central State Bank (CBI Bank & Trust) | 4,541,350 | 20 | 0.5% | 6,242,380 | 12 | 0.8% |
| Cottonwood Apartmments | | | | 4,902,230 | 18 | 0.6% |
| Warehouse Distributing LLC | | | | 10,166,440 | 5 | 1.3% |
| Cobblestone Apartments | | | | 8,164,440 | 8 | 1.1% |
| | <u>\$ 245,447,185</u> | | <u>26.7%</u> | <u>\$ 193,592,400</u> | | <u>25.5%</u> |

1. Commercial and industrial taxable valuations were rolled back to 90% of assessed values beginning with the January 1, 2016 valuations used for the 2017/2018 tax levy. In 2011/2012 these properties were taxed at 100% of assessed valuations. Multi-residential properties were included with commercial properties until January 1, 2015. These properties were rolled back from 75.00% to 67.5% for January 1, 2019. In 2011/2012 these properties were taxed at 100% of assessed value.

Source: Muscatine County Auditor's Office

City of Muscatine, Iowa
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Delinquent Tax Collections (2) | Total Tax Collections (2) | Ratio of Total Tax Collections to Total Tax Levy (3) |
|-------------|--|---|-------------------------------------|--------------------------------------|---------------------------------|--|
| | | Amount (1) | Percent of Levy Collected (3) | | | |
| 2011/2012 | \$ 11,993,253 | \$ 12,001,729 | 100.07% | \$ 30,106 | \$ 12,031,835 | 100.32% |
| 2012/2013 | 12,258,743 | 12,258,496 | 100.00% | 1,812 | 12,260,308 | 100.01% |
| 2013/2014 | 12,539,510 | 12,532,857 | 99.95% | (4,035) (4) | 12,528,822 | 99.91% |
| 2014/2015 | 12,541,759 | 12,551,289 | 100.08% | 13,283 | 12,564,572 | 100.18% |
| 2015/2016 | 12,404,951 | 12,432,618 | 100.22% | 2,364 | 12,434,982 | 100.24% |
| 2016/2017 | 13,063,348 | 13,084,633 | 100.16% | 1,724 | 13,086,357 | 100.18% |
| 2017/2018 | 13,459,207 | 13,457,920 | 99.99% | 2,799 | 13,460,719 | 100.01% |
| 2018/2019 | 13,837,957 | 13,837,774 | 100.00% | 10,682 | 13,848,456 | 100.08% |
| 2019/2020 | 14,129,521 | 14,030,126 | 99.30% (5) | 1,946 | 14,032,072 | 99.31% |
| 2020/2021 | 14,232,772 | 14,235,244 | 100.02% (6) | 119,291 | 14,354,535 | 100.86% |

1. Current tax collections reflect payments received by the Muscatine County Treasurer's office from July 1 through June 30 of each year. Taxes levied for the current year are classified as delinquent if not paid by June 30 each year.
2. Delinquent tax collections reflect the amounts of delinquent taxes the City received during the year. Information is not available from the County Treasurer's Office as to the year(s) for which the delinquent tax collections apply.
3. Collection percentages are close to 100% each year since the State of Iowa provides for "tax sales" in June of each year for properties with unpaid taxes. Substantially all of the taxes are paid by investors purchasing tax certificates from the "tax sales". Collections in excess of 100% are due to rounding differences when tax rates are applied to property valuations, differences in tax credits reimbursed by the State of Iowa, or changes in taxable valuations by the County Assessor after the City's budget is certified.
4. Delinquent property tax is a negative amount in 2013/2014 due to a successful appeal of a prior year taxable valuation. This resulted in the county refunding a portion of prior year property taxes paid by the commercial business.
5. The percent of levy collected in 2019/2020 was lower since there was not a "tax sale" in June. Due to the COVID-19 pandemic, the State allowed payments of the taxes due by March 31, 2020 to be paid no later than June 27, 2020 with no interest or penalty. This did not allow time for the "tax sale" to be held in June.
6. The delinquent tax collections in 2020/2021 is higher due to collections on the 2019/2020 levy (see footnote 5).

City of Muscatine, Iowa
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Governmental Activities | | Business-Type Activities | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|--------------------|---|------------------------------------|---|--|---|--|---------------------------|
| | General Obligation Bonds | Tax Increment Bonds | General Obligation Bonds | State Revolving Fund Loan | | | |
| 2011/2012 | \$ 17,177,089 | \$ 1,140,000 | \$ 1,490,103 | \$15,479,565 | \$ 35,286,757 | 3.9% | \$ 1,542 |
| 2012/2013 | 15,658,732 | 1,035,000 | 800,955 | 14,873,000 | 32,367,687 | 3.1% | 1,359 |
| 2013/2014 | 16,687,974 | 925,000 | - | 14,295,000 | 31,907,974 | 3.4% | 1,340 |
| 2014/2015 | 14,332,162 | 810,000 | - | 13,698,000 | 28,840,162 | 2.9% | 1,211 |
| 2015/2016 | 15,402,985 | 690,000 | - | 13,082,000 | 29,174,985 | 2.8% | 1,225 |
| 2016/2017 | 13,047,619 | 565,000 | - | 12,446,000 | 26,058,619 | 2.5% | 1,094 |
| 2017/2018 | 14,119,524 | 435,000 | 813,714 | 11,789,000 | 27,157,238 | 2.5% | 1,140 |
| 2018/2019 | 11,624,424 | 295,000 | 738,432 | 11,111,000 | 23,768,856 | 2.1% | 998 |
| 2019/2020 | 15,410,456 | 150,000 | 664,039 | 10,411,000 | 26,635,495 | 2.3% | 1,118 |
| 2020/2021 | 12,899,183 | - | 590,313 | 9,688,000 | 23,177,496 | N/A | 974 |

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics (Table14) for personal income and population data.

City of Muscatine, Iowa
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Total Primary Government</u> | <u>Estimated Actual Value of Property (1)</u> | <u>Percentage of Actual Valuation</u> | <u>Population (2)</u> | <u>Per Capita</u> |
|---------------------------|--|--|--|--|------------------------------|------------------------------|
| 2011/2012 | \$ 18,667,192 | \$ 18,667,192 | \$ 1,182,251,155 | 1.6% | 22,886 | \$ 816 |
| 2012/2013 | 16,459,687 | 16,459,687 | 1,187,559,428 | 1.4% | 23,819 | 691 |
| 2013/2014 | 16,687,974 | 16,687,974 | 1,191,824,137 | 1.4% | 23,819 | 701 |
| 2014/2015 | 14,332,162 | 14,332,162 | 1,195,115,199 | 1.2% | 23,819 | 602 |
| 2015/2016 | 15,402,985 | 15,402,985 | 1,193,627,101 | 1.3% | 23,819 | 647 |
| 2016/2017 | 13,047,619 | 13,047,619 | 1,253,806,921 | 1.0% | 23,819 | 548 |
| 2017/2018 | 14,933,238 | 14,933,238 | 1,272,831,442 | 1.2% | 23,819 | 627 |
| 2018/2019 | 12,362,856 | 12,362,856 | 1,321,975,383 | 0.9% | 23,819 | 519 |
| 2019/2020 | 16,074,495 | 16,074,495 | 1,332,788,748 | 1.2% | 23,819 | 675 |
| 2020/2021 | 13,489,496 | 13,489,496 | 1,375,439,414 | 1.0% | 23,797 | 567 |

Note - Net position restricted for debt service is restricted for future interest payments. Further details regarding the City's outstanding debt can be found in the notes to the financial statements.

Sources:

1. Muscatine County Auditor's Office
2. United States Census Bureau. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013. The 2020/2021 population is from 2020 census.

City of Muscatine, Iowa
Direct and Overlapping Governmental Activities Debt
As of June 30, 2021
(Unaudited)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percent Applicable to City (1)</u> | <u>Estimated Share of Direct and Overlapping Debt</u> |
|--|-----------------------------|---|---|
| Debt repaid with property taxes | | | |
| Muscatine County | \$ 10,765,000 | 44.33% | \$ 4,772,125 |
| Eastern Iowa Community College (EICC) | - | 5.94% | - |
| Other debt | | | |
| Eastern Iowa Community College (EICC) | 28,115,000 | 5.94% | <u>1,670,031</u> |
| Subtotal, overlapping debt | | | \$ 6,442,156 |
| City direct debt (2) | | 100.00% | <u>12,899,183</u> |
| Total direct and overlapping debt | | | <u><u>\$ 19,341,339</u></u> |

1. The percentage of overlapping debt applicable to the City is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the other governmental unit's taxable assessed value that is within the City of Muscatine's boundaries and dividing it by each governmental unit's total taxable value. These estimates were used for both debt to be repaid with property taxes as well as debt for the EICC to be repaid from sources other than property tax.
2. Excludes general obligation bonds reported in business-type activities.

Sources:

Muscatine County Auditor's Office
Eastern Iowa Community College

Note - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Muscatine. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Muscatine. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

City of Muscatine, Iowa
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

| | <u>2011/12</u> | <u>2012/13</u> | <u>2013/14</u> | <u>2014/2015</u> | <u>2015/2016</u> | <u>2016/2017</u> | <u>2017/2018</u> | <u>2018/2019</u> | <u>2019/2020</u> | <u>2020/2021</u> |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt limit (1) | \$60,567,395 | \$ 60,902,264 | \$ 61,240,458 | \$ 61,883,416 | \$ 63,163,995 | \$ 66,030,776 | \$ 67,450,183 | \$ 69,973,770 | \$ 71,250,964 | \$ 73,600,461 |
| Total debt applicable to limit | <u>19,845,000</u> | <u>17,450,000</u> | <u>17,530,000</u> | <u>15,075,000</u> | <u>15,785,000</u> | <u>13,370,000</u> | <u>14,825,000</u> | <u>12,215,000</u> | <u>15,750,000</u> | <u>13,125,000</u> |
| Legal debt margin | <u>\$40,722,395</u> | <u>\$ 43,452,264</u> | <u>\$ 43,710,458</u> | <u>\$ 46,808,416</u> | <u>\$ 47,378,995</u> | <u>\$ 52,660,776</u> | <u>\$ 52,625,183</u> | <u>\$ 57,758,770</u> | <u>\$ 55,500,964</u> | <u>\$ 60,475,461</u> |
| Total debt applicable to the limit as a percentage of debt limit | 32.77% | 28.65% | 28.62% | 24.36% | 24.99% | 20.25% | 21.98% | 17.46% | 22.10% | 17.83% |

Legal Debt Margin Calculation for Fiscal Year 2020/2021

| | |
|--|----------------------|
| Total assessed valuation as of January 1, 2019 | \$ 1,472,009,213 |
| Debt limit - 5% of assessed valuation | <u>\$ 73,600,461</u> |
| Amount of debt applicable to debt limit: | |
| General obligation bonds | \$ 13,125,000 |
| Tax increment revenue bonds | <u>-</u> |
| Total debt applicable to debt limit | <u>13,125,000</u> |
| Legal debt margin | <u>\$ 60,475,461</u> |

1. Under state law the City's debt may not exceed 5% of the total actual valuation of property.

City of Muscatine, Iowa
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Popula- tion (1) | Personal Income (2) | Personal Per Capita Income (2) | Median Age (1) | Percent High School Graduates or Higher (1) | School Enrollment (3) | Unemploy- ment Rate (4) |
|--------------------|---------------------------------|------------------------------------|---|-------------------------------|--|--------------------------------------|--|
| 2011/2012 | 22,886 | \$ 915,897,720 | \$ 40,020 | 38.2 | 85.2% | 5,305 | 6.4% |
| 2012/2013 | 23,819 | 1,042,295,621 | 43,759 | 38.2 | 85.2% | 5,300 | 5.5% |
| 2013/2014 | 23,819 | 949,925,539 | 39,881 | 38.2 | 85.2% | 5,341 | 5.2% |
| 2014/2015 | 23,819 | 1,005,233,257 | 42,203 | 38.2 | 85.2% | 5,171 | 4.5% |
| 2015/2016 | 23,819 | 1,029,528,637 | 43,223 | 38.2 | 85.2% | 5,170 | 3.9% |
| 2016/2017 | 23,819 | 1,050,012,977 | 44,083 | 38.2 | 85.2% | 5,084 | 3.8% |
| 2017/2018 | 23,819 | 1,082,192,446 | 45,434 | 38.2 | 85.2% | 4,936 | 3.3% |
| 2018/2019 | 23,819 | 1,117,516,023 | 46,917 | 38.2 | 85.2% | 4,894 | 2.6% |
| 2019/2020 | 23,819 | 1,156,722,097 | 48,563 | 38.2 | 85.2% | 4,811 | 2.9% |
| 2020/2021 | 23,797 | N/A | N/A | 38.1 | 88.0% | 4,690 | 6.0% |

Sources:

1. United States Census Bureau. The 2012/2013 population increase reflects the added population from areas annexed into the City in 2012 and 2013. The 2020/2021 population is from the 2020 census.
2. Bureau of Economic Analysis. Per capita income for the City of Muscatine is not available. The amounts shown are for Muscatine County and reflect average per capita income for the calendar years which end midway through the fiscal years shown. Personal income for the City has been estimated using the per capita income for Muscatine County multiplied by the City's population. Personal income information is not yet available for 2020.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

**City of Muscatine, Iowa
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

| <u>Employer</u> | <u>2021</u> | | | <u>2012</u> | | |
|--|--|-------------|--|--|-------------|--|
| | <u>Approximate Number of Employees (1)</u> | <u>Rank</u> | <u>Percentage of Estimated Total County Employment (2)</u> | <u>Approximate Number of Employees (1)</u> | <u>Rank</u> | <u>Percentage of Estimated Total County Employment (2)</u> |
| HNI Corporation//The HON Company, Allsteel | 3,500 | 1 | 16.0% | 3,400 | 1 | 15.5% |
| Grain Processing/Kent Feeds | 913 | 2 | 4.2% | 1,011 | 2 | 4.6% |
| Muscatine Community School District | 780 | 3 | 3.6% | 800 | 3 | 3.7% |
| Hy-Vee Food Store | 578 | 4 | 2.6% | 317 | 8 | 1.4% |
| Bayer U.S. - Crop Science (Formerly Monsanto) | 436 | 5 | 2.0% | 390 | 5 | 1.8% |
| Raymond-Muscatine, Inc. (Formerly BT Prime Mover) | 420 | 6 | 1.9% | 235 | 12 | 1.1% |
| Trinity Muscatine (Formerly Unity Health Care) | 389 | 7 | 1.8% | 482 | 4 | 2.2% |
| Musco Sports Lighting | 366 | 8 | 1.7% | 380 | 6 | 1.7% |
| Wal-Mart Superstore | 335 | 9 | 1.5% | 337 | 7 | 1.5% |
| Kraft-Heinz, U.S.A (Formerly Heinz, U.S.A.) | 331 | 10 | 1.5% | 295 | 10 | 1.3% |
| Muscatine Power & Water | 267 | 11 | 1.2% | 300 | 9 | 1.4% |
| City of Muscatine | 229 | 12 | 1.0% | 224 | 13 | 1.0% |
| SECO Investment Co. (Stanley Engineering Co.) | 204 | 13 | 0.9% | 271 | 11 | 1.2% |
| Muscatine County | 201 | 14 | 0.9% | 198 | 14 | 0.9% |
| Bridgestone Bandag LLC (Formerly Bandag, Inc.) | 120 | 15 | 0.5% | 180 | 15 | 0.8% |
| | | | | | | |
| | <u>9,069</u> | | <u>41.3%</u> | <u>8,820</u> | | <u>40.1%</u> |

Sources:

1. Muscatine Chamber of Commerce & Industry provided the 2021 employment figures. The 2012 figures were from City of Muscatine historical records and may be on a basis which differs from the data provided by the Muscatine Chamber of Commerce & Industry.
2. Iowa Workforce Development. Employment data for the City of Muscatine is not available. Employers listed are the largest in the immediate area of the City of Muscatine. Percentages shown are based on total employment in Muscatine County. The average monthly employment in Muscatine County was 21,837 in 2021 and 21,904 in 2012.

City of Muscatine, Iowa
Full-Time Equivalent Employees by Function
(Excludes Seasonal Employees)
Last Ten Fiscal Years
(Unaudited)

| Function | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General government | 16.00 | 16.00 | 16.05 | 16.05 | 17.05 | 17.05 | 18.93 | 19.43 | 19.43 | 19.56 |
| Public Safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 41.00 | 42.00 | 42.00 | 41.00 | 41.00 | 41.00 | 41.00 | 41.00 | 41.00 | 41.00 |
| Civilians | 3.88 | 3.88 | 3.88 | 3.73 | 3.73 | 3.73 | 3.73 | 3.73 | 3.73 | 3.73 |
| Fire | | | | | | | | | | |
| Firefighters and officers | 36.00 | 37.00 | 37.00 | 37.00 | 37.00 | 41.00 | 41.00 | 41.00 | 42.50 | 44.25 |
| Civilians | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Culture and recreation | | | | | | | | | | |
| Library | 15.74 | 15.51 | 14.95 | 14.71 | 14.33 | 13.76 | 14.19 | 13.62 | 13.22 | 12.79 |
| Art center | 4.54 | 4.25 | 4.25 | 4.52 | 4.70 | 4.70 | 4.70 | 4.70 | 4.97 | 4.97 |
| Parks and recreation | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.75 | 11.88 |
| Community and economic development | 6.72 | 6.92 | 6.92 | 6.93 | 7.44 | 7.42 | 7.42 | 7.42 | 7.58 | 7.81 |
| Public works | 16.51 | 16.51 | 16.66 | 16.66 | 16.66 | 16.66 | 16.66 | 17.79 | 17.85 | 18.41 |
| Business-type: | | | | | | | | | | |
| Parking | 3.10 | 3.10 | 2.90 | 2.90 | 2.90 | 2.90 | 2.90 | 2.90 | 2.90 | 2.65 |
| Golf course | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Boat harbor | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 |
| Transit | 3.03 | 3.03 | 3.03 | 3.03 | 3.03 | 3.03 | 3.03 | 3.03 | 3.03 | 3.03 |
| Refuse collection | 10.66 | 10.66 | 9.56 | 9.56 | 9.56 | 8.98 | 8.98 | 9.84 | 10.02 | 10.02 |
| Landfill | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.60 | 0.60 | 0.60 | 0.60 | 0.60 |
| Transfer station | 3.42 | 3.42 | 3.42 | 3.42 | 3.42 | 3.15 | 3.15 | 3.11 | 3.08 | 3.08 |
| Water pollution control | 29.61 | 29.61 | 28.61 | 27.61 | 26.61 | 26.61 | 26.34 | 26.09 | 26.84 | 27.09 |
| Ambulance | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Housing | 12.13 | 12.25 | 11.50 | 12.25 | 11.77 | 10.71 | 10.28 | 10.28 | 9.10 | 9.24 |
| Equipment services | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Totals | 223.34 | 225.14 | 221.73 | 220.37 | 220.20 | 222.05 | 223.66 | 225.29 | 226.60 | 229.11 |

Source: City of Muscatine records

City of Muscatine, Iowa
Operating Indicators by Function/Department
Last Ten Calendar or Fiscal Years
(Unaudited)

Calendar Year Indicators

| Function/Department | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Calls for service | 20,312 | 22,795 | 21,954 | 22,535 | 22,626 | 21,798 | 20,830 | 20,806 | 19,472 | 18,019 |
| Traffic enforcement | 3,247 | 3,840 | 3,484 | 3,645 | 3,094 | 3,715 | 3,246 | 4,039 | 3,121 | 1,746 |
| Arrests | 1,885 | 1,916 | 1,506 | 1,611 | 1,400 | 1,324 | 1,451 | 1,390 | 1,242 | 1,069 |
| Parking tickets issued | 1,329 | 1,607 | 1,595 | 2,060 | 2,030 | 1,886 | 1,945 | 2,343 | 1,598 | 1,285 |
| Fire (includes ambulance) | | | | | | | | | | |
| Calls for service | 3,916 | 3,864 | 4,022 | 4,433 | 4,526 | 4,706 | 5,100 | 5,027 | 5,238 | 5,034 |
| Culture and recreation: | | | | | | | | | | |
| Parks and recreation | | | | | | | | | | |
| Aquatic Center attendance | 41,620 | 43,810 | 36,664 | 31,827 | 37,355 | 41,382 | 38,592 | 36,907 | 30,204 | 0 (1) |
| Adult program participants | 634 | 817 | 1,510 | 1,688 | 1,550 | 1,558 | 1,803 | 1,686 | 1,632 | 1,095 (2) |
| Children's program participants | 2,066 | 2,274 | 2,827 | 2,779 | 1,712 | 2,294 | 2,660 | 1,962 | 2,256 | 1,550 (2) |
| Community and economic development: | | | | | | | | | | |
| Building-related permits (3) | 1,021 | 1,016 | 929 | 980 | 993 | 1,034 | 1,415 | 1,386 | 1,119 | 1,109 |
| Business-type: | | | | | | | | | | |
| Golf course | | | | | | | | | | |
| Rounds played | 31,491 | 34,036 | 28,557 | 28,024 | 28,796 | 28,216 | 27,794 | 24,396 | 23,756 | 28,206 |

Fiscal Year Indicators

| Function/Department | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| Culture and recreation: | | | | | | | | | | |
| Library | | | | | | | | | | |
| Registered borrowers | 18,639 | 19,877 | 20,204 | 20,620 | 19,861 | 20,581 | 21,288 | 21,860 | 21,387 | 19,887 |
| Circulation | 355,993 | 381,942 | 399,874 | 359,032 | 484,583 | 465,965 | 443,065 | 500,142 | 472,148 | 400,858 |
| Art center | | | | | | | | | | |
| Attendance (4) | 29,552 | 23,070 | 13,868 | 13,194 | 14,186 | 9,346 | 13,653 | 15,654 | 12,451 | 8,050 |
| Cemetery burials | 112 | 77 | 91 | 95 | 95 | 91 | 88 | 98 | 84 | 119 |
| Public works: | | | | | | | | | | |
| Miles of streets maintained | 140 | 140 | 140 | 144 | 144 | 144 | 144 | 144 | 144 | 144 |
| Business-type activities: | | | | | | | | | | |
| Transit | | | | | | | | | | |
| Total passengers (5) | 188,277 | 175,548 | 179,919 | 180,390 | 168,712 | 167,689 | 156,209 | 149,140 | 115,727 | 84,282 |
| Parking | | | | | | | | | | |
| Tickets issued (6) | 11,212 | 11,499 | 12,270 | 12,162 | 12,210 | 10,759 | 10,867 | 9,278 | 8,807 | 11,323 |
| Refuse collection | | | | | | | | | | |
| Tons of refuse collected | 7,765 | 7,957 | 8,215 | 8,280 | 8,400 | 8,235 | 8,164 | 8,436 | 8,559 | 8,940 |
| Tons recycled (curbside) | 1,284 | 1,327 | 1,309 | 1,251 | 1,225 | 1,419 | 1,329 | 1,331 | 1,255 | 1,261 |
| Transfer station | | | | | | | | | | |
| Tons of waste processed (7) | 32,004 | 32,896 | 35,366 | 38,939 | 40,652 | 41,419 | 49,448 | 44,447 | 39,637 | 39,029 |
| Water pollution control | | | | | | | | | | |
| Cubic feet of wastewater treated (in millions) (8) | 201.15 | 224.80 | 218.50 | 279.00 | 261.40 | 234.90 | 171.40 | 318.70 | 185.12 | 198.47 |

1. The Weed Park Aquatic Center attendance varies with summer temperatures and rain days. The Aquatic Center did not open in 2020 due to the COVID-19 pandemic.
2. The decline in participation in adult and children's programs in 2020 was due to the COVID-19 pandemic.
3. The building-related permit increase in 2017 was in part due to roof and related building repairs due to the 2017 hail storm.
4. Art Center attendance was down in 2016 due to construction of HVAC and building envelope improvements. The decrease in 2019/2020 was due to the temporary closure of the Art Center beginning in mid-March, 2020 due to the COVID-19 pandemic. The attendance decline from the pandemic continued in 2020/2021.
5. The transit passenger decrease in 2019/2020 was due to temporarily suspending fixed route services due to the COVID-19 pandemic. The regular transit routes did not operate from mid-March through June 2020. Ridership in 2020/2021 continued at lower levels due to the pandemic.
6. The decrease in the number of parking tickets issued in 2019/2020 was due to the COVID-19 pandemic which required most downtown businesses to be closed from mid-March through May, 2020.
7. The transfer station was closed to the public in April and May, 2020 due to COVID-19 pandemic. Only waste from customers with charge accounts was accepted which contributed to the decreased tonnage beginning in 2019/2020.
8. Wastewater treated in 2017/2018 was lower due to a sewer line repair which resulted in a bypass of wastewater to the plant. Wastewater treated in 2018/2019 was higher due to two record months of flow for February and June of 2019 due to river flooding.

Source: City of Muscatine records

City of Muscatine, Iowa
Capital Asset Statistics by Function/Department
Last Ten Fiscal Years
(Unaudited)

| Function/Department | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/2019 | 2019/2020 | 2020/2021 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|
| Public Safety: | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol vehicles | 12 | 12 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| Fire | | | | | | | | | | |
| Fire stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Aerial tower | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire pumpers | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Water Tender | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Hazmat vehicle | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Ambulances | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| Culture and recreation: | | | | | | | | | | |
| Library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Art center and museum | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Parks and recreation: | | | | | | | | | | |
| Parks | 14 | 14 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Park acreage (1) | 254 | 254 | 254 | 254 | 254 | 254 | 254 | 272 | 272 | 272 |
| Swimming pools | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Softball and baseball diamonds | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Soccer fields | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 12 | 12 |
| Tennis courts | 10 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Cemeteries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Cemetery acreage | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Public works: | | | | | | | | | | |
| Miles of streets | 140 | 140 | 140 | 144 | 144 | 144 | 144 | 144 | 144 | 144 |
| Business-type activities | | | | | | | | | | |
| Transit: | | | | | | | | | | |
| Buses | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Van | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| Golf course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Airport: | | | | | | | | | | |
| Airport | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Primary runway length (in feet) | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| Solid waste: | | | | | | | | | | |
| Transfer station/recycling center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Refuse collection vehicles | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Water pollution control: | | | | | | | | | | |
| Plants | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Daily capacity (in gallons) | 16.4 million | 16.4 million | 16.9 million | 16.9 million | 16.9 million | 16.9 million | 16.9 million | 16.9 million | 16.9 million | 16.9 million |

(1) In 2018/2019 the Parks and Recreation department aquired land for the Soccer Complex Expansion project. In 2019/2020, this project was completed, adding four new soccer fields.

Source: City of Muscatine records

COMPLIANCE
SECTION



**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the Honorable Mayor and
Members of City Council
City of Muscatine, Iowa
Muscatine, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated 6/17/2022.

Our report includes a reference to other auditors who audited the financial statements of Muscatine Power & Water, a discretely presented component unit, as described in our report on City of Muscatine, Iowa's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Muscatine, Iowa's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Muscatine, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Muscatine, Iowa's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Muscatine, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Muscatine, Iowa's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Muscatine, Iowa's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
November 11, 2021



**Independent Auditor's Report on Compliance For
Each Major Federal Program and On Internal Control
Over Compliance Required By the Uniform Guidance**

To the Honorable Mayor and
Members of City Council
City of Muscatine, Iowa
Muscatine, Iowa

Report on Compliance for Each Major Federal Program

We have audited City of Muscatine, Iowa's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Muscatine, Iowa's major federal programs for the year ended June 30, 2021. City of Muscatine, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the Muscatine Power & Water discretely presented component unit which is not included in the schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include this organization as it did not receive federal awards and they engaged other auditors to perform their audit.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Muscatine, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Muscatine, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Muscatine, Iowa's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Muscatine, Iowa complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of City of Muscatine, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Muscatine, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Muscatine, Iowa's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bohnsack & Frommelt LLP

Moline, Illinois
November 11, 2021

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---------------------------|--|---------------------------------------|----------------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Direct: | | | | |
| Housing Voucher Program Cluster: | | | | |
| Section 8 Housing Choice Vouchers | 14.871 | IA049VO | \$ - | \$ 1,516,232 |
| Section 8 Housing Choice Vouchers | 14.871 | IA049AF | - | 211,148 |
| COVID-19 Section 8 Housing Choice Vouchers | 14.871 | IA049AF | - | 17,502 |
| Subtotal Housing Voucher Program Cluster | | | - | 1,744,882 |
| Family Self Sufficiency Program | 14.896 | FSS21IA4061 | - | 8,478 |
| Family Self Sufficiency Program | 14.896 | FSS20IA3374 | - | 29,879 |
| | | | - | 38,357 |
| Public and Indian Housing Operating Subsidy | 14.850 | IA04900000119D-121D | - | 257,940 |
| COVID-19 Public and Indian Housing Operating Subsidy | 14.850 | IA04900000120DC | - | 7,714 |
| | | | - | 265,654 |
| Public Housing Capital Funds Program | 14.872 | IA01P049501-19 | - | 226,663 |
| Housing Counseling Grant | 14.169 | HC 190821012 | - | 2,985 |
| Indirect: | | | | |
| Pass-Through Iowa Economic Development Authority | | | | |
| Community Development Block Grant State Program | 14.228 | 20-OT-044 | - | 49,937 |
| Total U.S. Department of Housing and Urban Development | | | - | 2,328,478 |
| U.S. Department of Transportation | | | | |
| Direct: | | | | |
| Federal Aviation Administration: | | | | |
| Airport Improvement Program | 20.106 | 3-19-0063-022-2020 | - | 1,105,890 |
| COVID-19 Airport Improvement Program CARES Act | 20.106 | 3-19-0063-023-2020 | - | 46,500 |
| | | | - | 1,152,390 |
| Indirect: | | | | |
| Pass-through Iowa Department of Transportation | | | | |
| Transit Grants: | | | | |
| Formula Grants for Rural Areas | 20.509 | 2019-024-01-SFY21 | - | 235,390 |
| Formula Grants for Rural Areas | 20.509 | 2019-024-00-533-SFY20 | - | 3,643 |
| Formula Grants for Rural Areas | 20.509 | TFR 20041 | - | 6,975 |
| COVID-19 Formula Grants for Rural Areas | 20.509 | 2020-010-00-FY20 | - | 360,740 |
| | | | - | 606,748 |
| Pass-through Iowa Department of Public Safety | | | | |
| Highway Safety Cluster: | | | | |
| State and Community Highway Safety | 20.600 | PAP 20-402-M00P, Task 25-00-00 | - | 7,711 |
| State and Community Highway Safety | 20.600 | PAP 20-402-M0PT, Task 31-00-00 | - | 13,262 |
| Subtotal Highway Safety Cluster | | | - | 20,973 |
| Total U.S. Department of Transportation | | | - | 1,780,111 |
| U.S. Department of Treasury | | | | |
| Indirect: | | | | |
| Pass-through State of Iowa Department of Administrative Services: | | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | Grant No. 00239 | - | 561,628 |

(Continued)

City of Muscatine, Iowa

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2021

| Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---------------------------|--|---------------------------------------|----------------------------------|
| U.S. Department of Justice | | | | |
| Direct: | | | | |
| Edward Byrne Memorial Justice Assistance | 16.738 | 2019-DJ-BX-0685 | \$ 7,882 | \$ 9,458 (1) |
| COVID-19 Coronavirus Emergency Supplemental Fundir | 16.034 | 2020-VD-BX-0301 | - | 21,705 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | - | 968 |
| Indirect: | | | | |
| Pass-through Iowa Governor's Office of Drug Control Policy and Muscatine County: Public Safety Partnership and Community Policing Grants | 16.710 | 19-CAMP-10 | - | 3,814 |
| Edward Byrne Memorial Justice Assistance | 16.738 | 18-JAG-347657 | - | 17,000 (1) |
| Pass-through Iowa Department of Justice Violence Against Women Formula Grants | 16.588 | VW-20-48-LE | - | 998 |
| Violence Against Women Formula Grants | 16.588 | VW-21-48-LE | - | 3,694 |
| | | | - | 4,692 |
| Total U.S. Department of Justice | | | 7,882 | 57,637 |
| Office of National Drug Control Policy | | | | |
| Indirect: | | | | |
| Pass-through Iowa Department of Public Safety High Intensity Drug Trafficking Area Grant | 07.G19MW0002A | G19MW0002A | - | 1,890 |
| High Intensity Drug Trafficking Area Grant | 07.G20MW0002A | G20MW0002A | - | 40,690 |
| High Intensity Drug Trafficking Area Grant | 07.G21MW0002A | G21MW0002A | - | 45,355 |
| Total Office of National Drug Control Policy | | | - | 87,935 |
| U.S. Department of Homeland Security | | | | |
| Direct: | | | | |
| Assistance to Firefighters | 97.044 | EMW-2019-FG-07210 | - | 243,104 |
| Indirect: | | | | |
| Passed-through Iowa Department of Homeland Security and Emergency Management: | | | | |
| Disaster Grants-Public Assistance | 97.036 | 4421 DR-IA | - | 451,508 |
| Disaster Grants-Public Assistance | 97.036 | 4557 DR-IA | - | 3,750 |
| COVID-19 Disaster Grants-Public Assistance | 97.036 | 4483 3480 COVID-19 EM | - | 19,695 |
| | | | - | 474,953 |
| Total U.S. Department of Homeland Security | | | - | 718,057 |
| Total Expenditures of Federal Awards | | | \$ 7,882 | \$ 5,533,846 |

(1) CFDA No. 16.738 total \$26,458.

See Notes to Schedule of Expenditures of Federal Awards.

City of Muscatine, Iowa

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the entity.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures of federal awards are recognized in the accounting period when the liability is incurred and has met the eligibility criteria of the federal award.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to the revenue. In the governmental funds, revenue from federal awards is recognized when the revenue is both measureable and available. In proprietary funds, revenue from federal awards is recognized when it is earned.

Pass-through entity identifying numbers are presented where available.

Note 3. Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



City Hall, 215 Sycamore St.
Muscatine, IA 52761-3899
(563) 264-1550
Fax (563) 264-0750

FINANCE & RECORDS

City of Muscatine, Iowa

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021**

| Findings | Status | Corrective Action Plan or Other Explanation |
|----------|--------|--|
| None | | |

**"I remember Muscatine for its sunsets. I have never seen any
on either side of the ocean that equaled them" — Mark Twain**

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency identified?
- Noncompliance material to financial statements noted?

☐ Yes ☒ No
☐ Yes ☒ None Reported
☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency identified?

☐ Yes ☒ No
☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

| CFDA Number | Name of Federal Program or Cluster |
|-------------|--|
| 20.106 | Airport Improvement Program |
| 20.106 | COVID-19 Airport Improvement Program CARES Act |
| 21.019 | COVID-19 Coronavirus Relief Fund |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

(Continued)

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

II. Findings Relating to the Basic Financial Statements as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Internal Control

No matters reported.

B. Instances of Noncompliance

No matters reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control for Federal Awards

No matters reported.

B. Instances of Noncompliance

No matters reported.

IV. Other Findings Related to Required Statutory Reporting

IV-A-21

Certified Budget – Expenditures for the year ended June 30, 2021 did not exceed the amounts budgeted.

IV-B-21

Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-21

Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

IV-D-21

Business Transactions – No business transactions between the City and City officials or employees were noted except as follows:

| Name and Business Connection | Transaction | Amount |
|------------------------------|-------------|-----------|
| Media Tree, LLC | Media | |
| Chad Yocom | services | \$ 24,424 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions do not appear to represent a conflict of interest.

IV-E-21

Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-21

Council Minutes – No transactions requiring Council approval which had not been approved by the Council were noted.

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

IV-G-21

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-21

Revenue Notes – There were no instances of noncompliance with revenue note provisions.

IV-I-21

Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

IV-J-21

Payment of General Obligation Bonds – The City appears to be in compliance with Chapter 384.4 of the Code of Iowa.



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Fax (563) 264-0750

FINANCE & RECORDS

City of Muscatine, Iowa

**Corrective Action Plan
Year Ended June 30, 2021**

| Findings | Corrective Action Plan | Anticipated Date of Completion |
|----------|------------------------|-----------------------------------|
|----------|------------------------|-----------------------------------|

None Reported.